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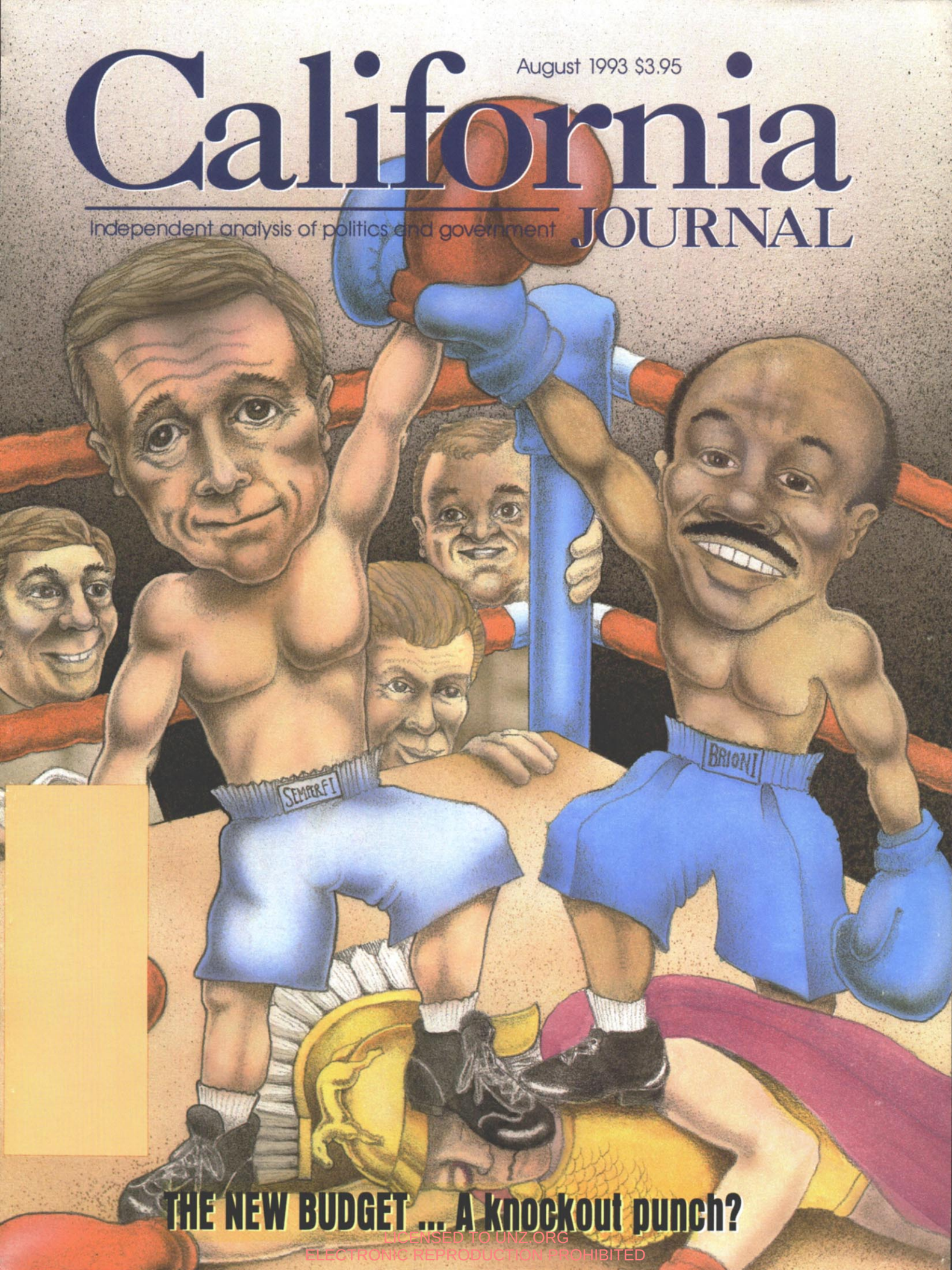

THE NEW BUDGET ... A knockout punch?

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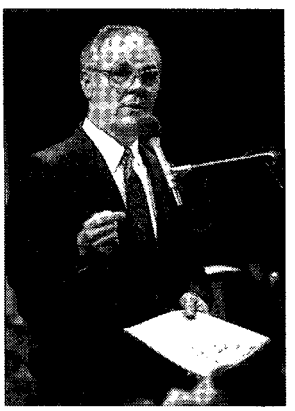
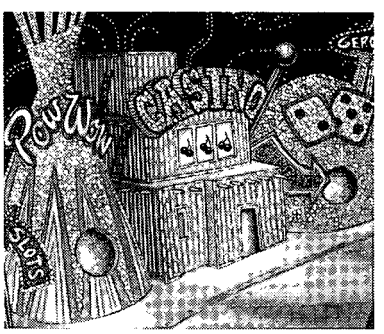


The on-time budget 7
Lawmakers and the governor passed a budget on time for the first time in years. By A.G. Block, Danielle Starkey and Steve Scott

Local mandates, local planning 13
To balance their budget, Governor Pete Wilson and the Legislature raided the counties' cash register. By Mary Beth Barber

Phil Isenberg 17
A Sacramento Democrat is the Legislature's "Mr. Pragmatic." By Steve Scott

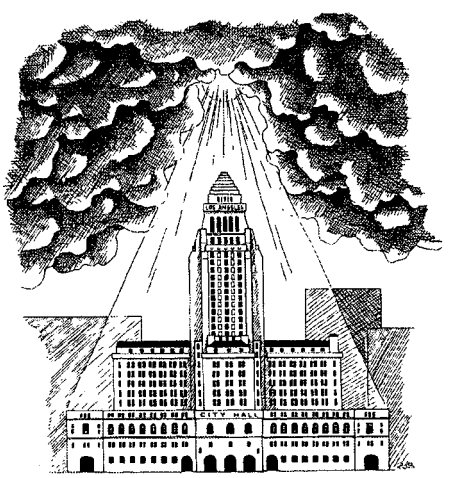


Counties in revolt 21
After having their pockets picked of property tax revenue by the state, some counties are fighting back. By Danielle Starkey

Gambling, Indian style 25
If some of the state's Native-American tribes have their way, casino gambling is on its way to California. By Steve Wiegand

Ethics, LA style 31
Los Angeles has a new mayor, several new council members— and a new Ethics Commission to oversee a new ethics ordinance. By James R. Sutton

John Burton 35
John Burton's political career— and life have risen Phoenix-like, from the ashes. By Laura A. Locke



Up Front 4
Rostrum 5
Two Cents Worth 6
A political veto 38
Compton schools 38
Hayes resigns 38
CTA lobbying 39
Washington Perspective 40

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Up Front

Nitro special. The grand prize for damage control last month went to Dan Schnur, communications director for Governor Pete Wilson. As Wilson and legislative leaders gathered behind closed doors to apply a little Scotch tape and chewing gum to the budget proposal, Schnur found himself surrounded by news-starved reporters. Although negotiations were at their most delicate stage, Schnur, ever the accommodating quotemeister, offered that if agreement wasn't reached that night, "it means it's blown sky-high." Panicked that his remark might toss a grenade onto the conference table, Schnur lobbied every reporter who had yet to file a story *not* to use the quote. In the end, only the *San Jose Mercury News* used it.

Hold the mayo. During last month's marathon budget session, a number of GOP members were summoned one-by-one from the Assembly floor for what were rumored to be phone calls from the governor, who was trying to coax another vote or two from recalcitrant Republicans. After a while, it became a standing joke among the Reeps themselves, many of whom strode off the floor declaring that "this will be the shortest call on record." But when die-hard "no" vote Dean Andal was summoned to the phone, reporters chuckled that the governor had become desperate — especially when Andal returned after 30 seconds. Was it really a call from Pete Wilson? Nah. It was Andal's staff, asking if he wanted a cheeseburger. He said "no" to that, too.

Hats in ring? Is Senator Art Torres considering a run for governor? While no formal outreach has started, sources say the topic has come up privately and could move to a front burner now that the budget battle is over. The idea of a Torres candidacy apparently has received a favorable nod from another potential candidate — Assembly Speaker Willie Brown Jr. — who considers the Los Angeles Democrat someone he might support if the speaker doesn't run himself. Of course, it's in Brown's best interests to encourage a Torres candidacy. The larger the field, the better the speaker's chances to emerge on top. And there are persistent rumors as well that Democratic Assemblywoman Gwen Moore of Los Angeles is planning a run for statewide office. Secretary of state has been mentioned.

Truth squad. A recent exchange in Senate Appropriations points out one of the hazards that crop up when lawmakers actually read bills. Under discussion was a technical ditty on managed health care, and Appropriations Chairman Bob Presley, a Riverside Democrat, asked subcommittee chairman Senator Leroy Greene what the bill accomplished. "Well, that's the problem," Greene replied, somewhat stuck for a response. Seems when Greene posed the same question to the bill's author and the Department of Finance, their explanations boiled down to what Greene described as "basically two ... versions of the same answer." And what *was* that answer? "Duh," as in "You got me." Presley and his committee voted down the bill.

In the shrill of the night. During a marathon Assembly session on budget trailer bills, lawmakers approved by 68-0 a bill (SB 917) meant to clean up another bill (SB 1135) that only moments before they refused to pass.

Sultan of Swag. A recent press release from former Democratic Party poobah Phil Angelides boasts that the erstwhile candidate for light governor raised more than $1 million during the first half of 1993. It's not surprising, given that Angelides has taken not-undeserved credit for single-handidly reviving the Democratic Party in the wake of the disastrous stewardship of former Governor Jerry Brown. Lot o' chits out there to redeem. Yo, you listening, Gray Davis?

Sultans of Big Swag. Associations of doctors, prison guards, teachers and the religious right — in that order. Those folks, say Common Cause, were the top four givers during last year's elections. The religious right is represented by Allied Business PAC, a group of Orange County businessmen who forked over more than $940,000 to legislative and congressional Republicans who shared their anti-tax, anti-abortion philosophy. Counted among the PAC's founders: newly elected state Senator Rob Hurtt of Anaheim.

Sticks and stones. Lawyer jokes are back in the news, thanks to a wacko gunman who recently brought death and grief to a San Francisco law office. But the State Bar managed to turn the aftermath of that tragedy into another joke. Bar prexy Harvey Saferstein told the Associated Press that lawyer bashing may drive a "fringe person" over the edge. And lawyer jokes, he insisted, are a form of bashing that could be interpreted as "hate speech." Stretching this theme out beyond the borders of the known universe, Saferstein suggested that lawyers be designated as a class of persons protected by hate-crime legislation. This reasoning, of course, puts someone who asks how many lawyers it takes to screw in a light bulb on the same plane as a member of the Ku Klux Klan who burns a cross on the lawn of an African-American church.

"The fault, dear Brutus, is not in our stars, but in ourselves."

— William Shakespeare
by way of Edward R.Murrow

Come across a blurb lately that's nosy, newsy or smartalecky about California government, politics or politicians? Share it with the Journal. *We pay up to $25 for entertaining tidbits published in "Up Front." So, rush your items to Up Front, 1714 Capitol Avenue, Sacramento, CA 95814. Sorry, submissions cannot be returned.*

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Rostrum
LETTERS

Ward Valley

Your story on Ward Valley (see *CJ*, July 1993) raises the false specter that the recent appellate court decision on the Ward Valley low-level radioactive waste disposal facility, voiding a coerced "agreement" for "adjudicatory hearings," threatens the political compromises by prohibiting legislative committees from discussing future policy with nominees. Not so. The court decision tracks the specific circumstances of the abuse of the confirmation process in the Ward Valley context. Only political deals that violate the law are in jeopardy.

According to the record before the court, there had been extensive public hearings on Ward Valley, the Department of Health Services had all the information needed to make a sound decision on the license application, "adjudicatory hearings" were unnecessary and not legally required, and but for the improper intrusion of Senate Rules, the department would not hold an unnecessary hearing. Based on these extraordinary facts, the court concluded that "an unconstitutional usurpation of legislative and executive authority by the Senate Rules Committee" had occured.

The court directed Health Services "to proceed with consideration of the application of US Ecology for a low-level radioactive waste disposal license, without regard to or further consideration of the voice agreement" with Senate Rules.

Another hearing is neither permissible nor prudent. California may now fulfill its legal obligations to the other party states of the Southwestern Compact and thousands of hospitals, universities, biotechnology firms and other industries that use radioactive materials. An unnecessary multiple-year delay has been averted.

ALAN PASTERNAK, PhD
California Radioactive Materials Forum
Lafayette

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Two Cents Worth

COMMENTARY

Talkin' but no walkin'

The new freshman class of legislators, the first in Sacramento under term limits, came with bright hopes and loud promises that it was somehow going to be different than its predecessors. Now, little more than halfway through its first year, it's become apparent that this class, in most respects, is not much different than the ones that arrived before it. And in some respects, it possess traits that are less attractive.

Under normal circumstances, of course, it would be much too early to reach any judgments. After all, most of the class has barely had time to figure out why some rooms in the Capitol have three-digit numbers while others have four-digit numbers.

But this class, by self-proclamation, is not normal. Its members said they planned to be center-stage from the start. One-tenth of their potential service in the Assembly is already behind them, and it's high time the drama began.

But in the words of one veteran, this new class may "talk the talk, but it doesn't walk the walk."

On the few real tests it has faced, the new class behaved with as much partisanship as its seniors. Indeed, the one real defining characteristic of this class — it's sense of urgency, a need to get something, anything, done in a hurry — may turn out to be its downfall.

Basically, this class has been built on a false premise. When voters approved Proposition 140, which limited legislative terms, they were told that a fixed tenure would produce a class of politicians who where less-ambitious than their predecessors, lawmakers who were less ideological and more practical. After all, a short political tenure meant that office-holders could not reasonably consider politics a career.

In fact, the opposite appears to be the case. If anything, this is class will prove more ambitious than the ones that came before. Politicians in this class have no time to waste. Make your mark, and make it now. The path to the top is quicker now, but there also is little room for mistakes.

Voters shouldn't be surprised to find that this new class of legislators, even more than the ones it replaces, puts the politics of today above what's best for the future. After all, they won't be around to face the results of what they've done.

If Proposition 140 is having any impact, oddly enough, it is probably with the senior members, those who came to office before the measure was passed. With the hot breath of political mortality on their necks, the veterans have responded in a number of different ways.

Several, including some of the more thoughtful, have just left. Assemblyman Bruce Bronzan and Senators Barry Keene and Rebecca Morgan have all decided that other fields are more attractive, now that politics have a limited future. Others have put on a sudden burst of activity, getting more done in this session than has been accomplished in years. The most notable example of this is Assembly Speaker Willie Brown Jr., who discovered a sudden desire to produce a budget on time, a housing bill and changes in the workers' compensation system, despite the fact that these issues had been festering for years.

Perhaps Brown and others have a sudden need to create a legacy before their time passes — to face the results of what it is they *haven't* done — or maybe they just feel the need to position themselves for the run for higher office that is coming sooner than expected. Whatever the motive, the current session has experienced a burst of activity that's a welcome change.

— Richard Zeiger

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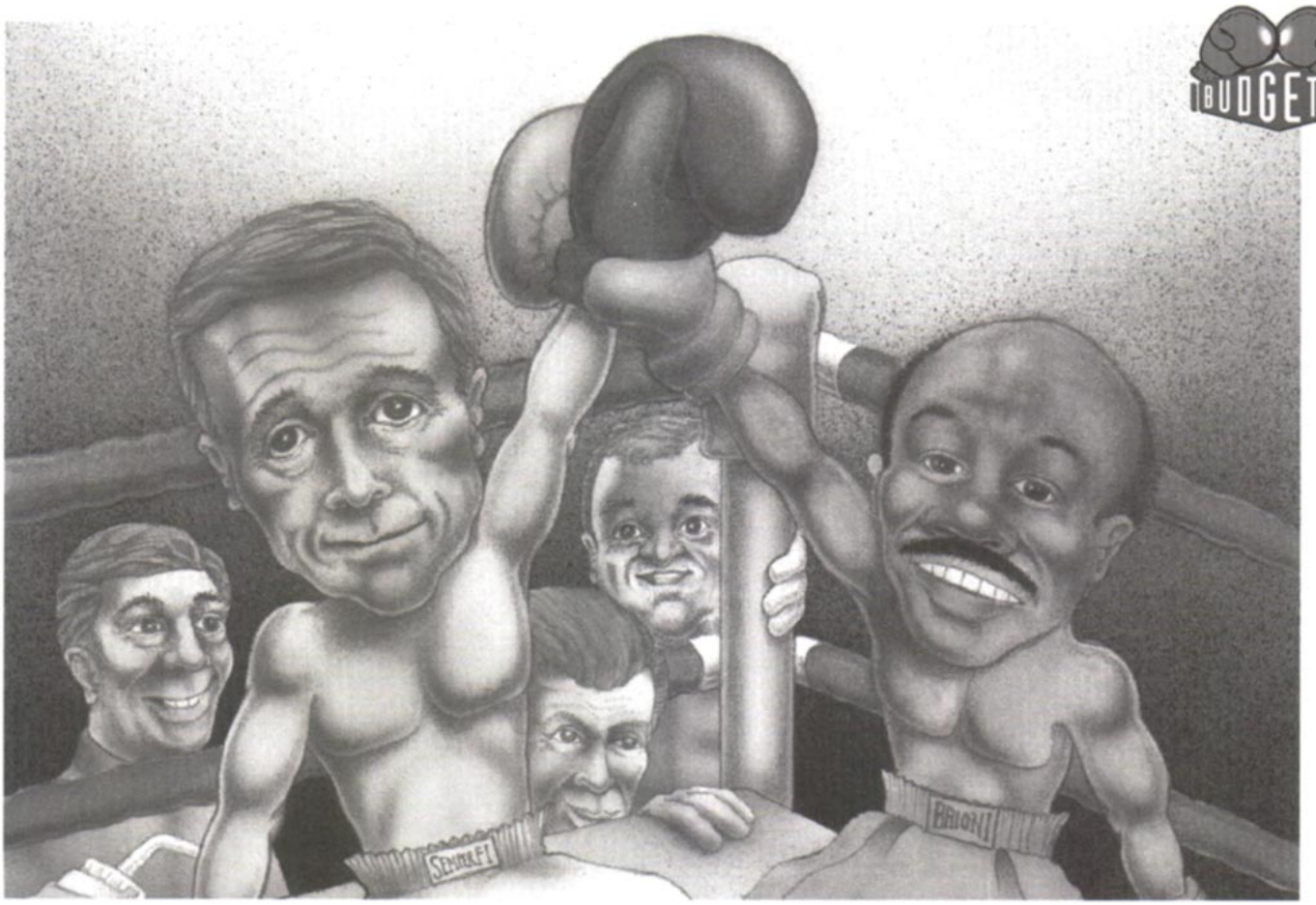

The 1993-94 Budget

Pete Wilson and Willie Brown delivered, but was it a knockout punch for California?

By A.G. Block, Danielle Starkey and Steve Scott

History has recorded some remarkable turnarounds. Take Richard Nixon's return from the political ash heap in 1968 — only six years after Pat Brown thrashed him in a California gubernatorial race. Or Muhammad Ali's kayo of George Foreman to recapture the heavyweight boxing title in 1974. Or baseball's 1991 World Series, which featured two teams that had finished dead last the previous season.

Now comes Governor Pete Wilson and the California Legislature. Only one year after Wilson and lawmakers embarrassed themselves by squabbling for a record 64 days past the July 1st constitutional deadline for passing a state budget, the two sides patched together a 1993-94 spending plan with hours to spare.

Okay, so it wasn't a feat to rank with ramming the Central Pacific Railroad through the Sierras. And maybe the end result was more a triumph of expediency than good public policy. Nonetheless, it was an accomplishment many observers said couldn't be done, not with partisan bickering as fierce as ever and a $11 billion budget gap yawning in front of negotiators. But defying months of discouraging predictions and eleventh-hour scrambling by a variety of special interests, Wilson and the Legislature produced a signed 1993-94 budget — only hours before the state once again turned into a sour pumpkin.

No one professes to actually like the $52.1 billion budget, of course; least of all the 54 Assembly members and 27 senators who voted for it. Republicans grump about the fact that two pieces of baling wire used to hold the budget together were the extension of a temporary sales-tax increase set to expire June 30th, and $2.8 billion worth of debt rolled over into the next fiscal year. They also complain that some program cuts aren't deep enough to calm their conservative hearts. Democrats, on the other hand, wince over a third straight year of cuts in welfare benefits, a 30 percent increase in community college fees and suspension

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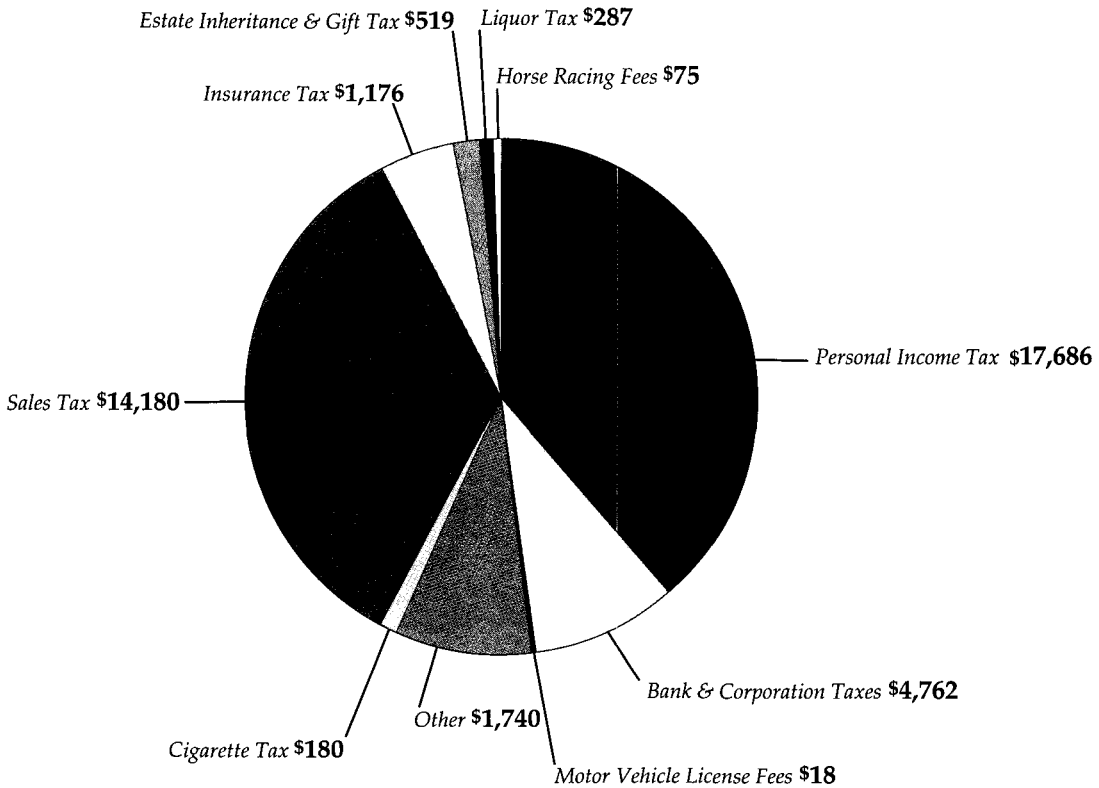

General Fund Revenues*
Total $40,623

*millions of dollars

of the renters' tax credit.

And then, there is the linchpin of the entire deal — the transfer of $2.6 billion in property tax revenue from local governments to the state, with the money earmarked for schools. That proposal — Wilson's own, but championed by Assembly Speaker Willie Brown Jr. — had lawmakers from both parties united in their despair.

Despite these unsavory elements, there was heavy pressure on lawmakers to reach a compromise quickly — and much of that pressure was generated by the calendar. The protracted 1992 budget fight had fostered grim fiscal consequences: The state paid its bills with registered warrants rather than with cash, and eastern financial markets downgraded the state's bond rating. Equally important to the folks involved were the political consequences: California became a national laughing stock, and Wilson and lawmakers saw their already tottering stature among voters drop off a cliff. As veteran Democratic Assemblyman Phil Isenberg chided his colleagues during this year's floor debate: Voters have a right to have us make our bad decisions on time.

This year, the calendar bore a new urgency: the sales tax extension. Passed in 1991 to help solve a previous budget deficit, the tax was due to expire at midnight, June 30th. If the Legislature missed that deadline, lawmakers would have to approve a *new* sales tax. And as Republican Assemblyman Mickey Conroy observed, it was one thing to extend a tax already on the books; it was quite another to authorize an entirely new tax. The fact that the calendar seemed so important to the process didn't sit well with everyone. When recalcitrant members of his house complained that time — rather than sober policy-making — had become paramount, a frustrated Senate President pro Tempore David Roberti scolded them with an angry mantra: "It's the law, it's the law, it's the law."

Although many lawmakers felt queasy about the final document, passage of the budget marked a triumph of will for California's two most powerful politicians: Wilson, who got just about everything he asked for; and Speaker Brown, who employed every ounce of his persuasive power and flair for deal-making to help muscle the governor's plan through the Assembly. In no small measure, it was the personal squabble between these two titanic egos that caused last year's record delay, and neither side seemed anxious to strut the same play before an audience of voters.

Still, this year's drama began with the two sides once again at odds over how to fill a two-year gap between revenue and expenditures that had ballooned to $9 billion before Wilson could even present his new budget in January. With both sides loathe to cut education funding, Wilson wanted to cut welfare grants 19.2 percent (reflecting the third cut in as many years); bomb the renters' credit; relieve local governments from implementing a variety of state-mandated programs, do away with the state's "prevailing wage" law and grab some local property tax revenue — ideas legislative Democrats regarded as open warfare on their constituencies. Democrats wanted new taxes on the rich, cuts in prison funding, a roll-over of debt into the new fiscal year and an extension of the sales tax — ideas Wilson and other

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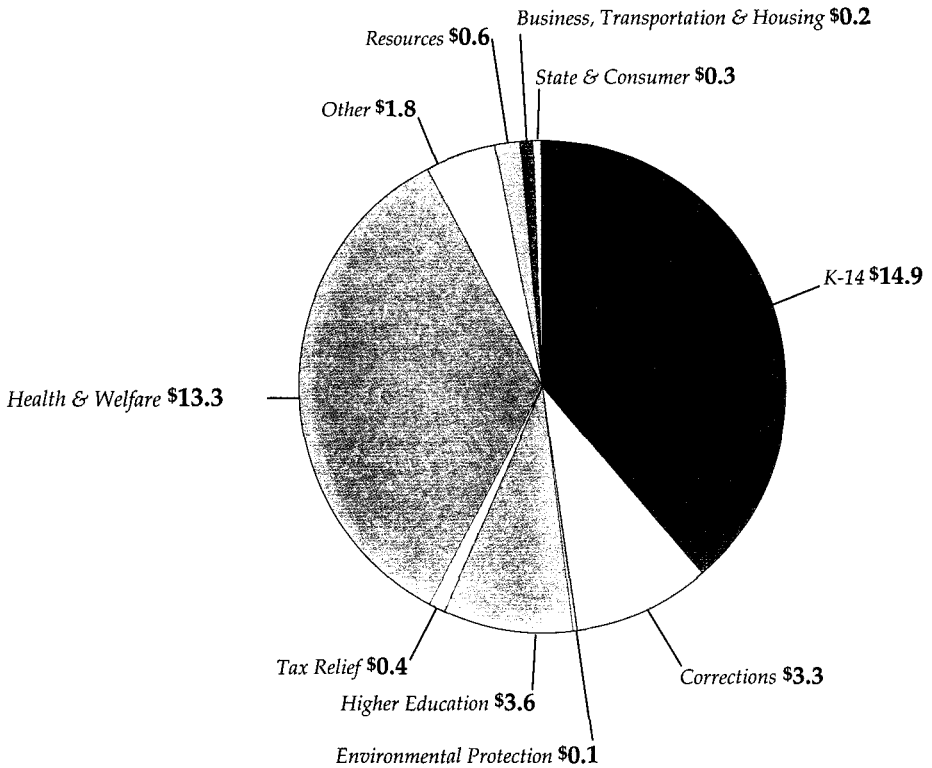

General Fund Expenditures 1993-94*
Total $38,520

*millions of dollars

Republicans considered sour milk.

Into the middle of this breach stepped an unlikely hero — Democratic Assemblyman John Vasconcellos, the shambling liberal from San Jose and longtime chairman of Assembly Ways and Means. Vasconcellos crafted what he dubbed a "smart budget," which was balanced and called for extension of the sales tax. But it also agreed to Wilson's transfer of property tax revenue from local governments to the state. More important, it took a knife to some liberal sacred cows by suspending the renters' tax credit, relieving some local mandates and making cuts in welfare and Medi-Cal payments — measures that must have been painful for Vasconcellos to contemplate, let alone to propose. The effort marked a new and pragmatic role for Vasconcellos who, despite his Ways and Means post, had been out of the budget loop in recent years. He earned much praise from colleagues, and his "smart budget" became the framework for a Senate-Assembly conference committee hoping to hammer out a final document.

There was optimism over Vasconcellos' effort, for its introduction coincided smartly with Wilson's reluctant agreement to extend the sales tax. He had been converted by local law-enforcement officials who insisted that their ability to protect the public would be decimated by such a loss of revenue. Wilson went along, but only for six months. After that, any further extension was up to voters. To give them the chance, he called for a special election this November. Wilson may have agreed to the extension, but he wasn't going to take the political heat. That, he decided, could best be taken by county boards of supervisors. About the same time, Wilson also agreed to roll debt into the next fiscal year.

But the optimism proved short-lived when Vasconcellos' conference budget failed to gain enough support to pass its first step — the Assembly — even though it remained balanced and conferees had whittled the property tax grab down to just above $1 billion. Several sticking points remained, including the depth of mandate relief, prevailing wage and cuts to the Department of Corrections.

But even as the committee toiled through yet another compromise, Wilson and Brown usurped the process. With less than two weeks to go before the deadline, the speaker appeared before the committee late on a Friday afternoon and told startled conferees that the governor and legislative leaders (the "Big 5" of Wilson, Brown, Roberti, Senate Minority Leader Ken Maddy and Assembly Minority Leader Jim Brulte) had met behind closed doors to work on a budget that conferees should be prepared to vote on that weekend — a directive that Vasconcellos and his cohorts viewed less than charitably. Thus, after weeks of painstaking effort, the conference committee's work on the budget ended abruptly when its members essentially told Brown to go to hell.

The play, however, went on without them.

Once the budget hammered out among the "Big 5" reached the Assembly, Brown assumed center stage. Using tactics such as reminding committee chairs that they served at his pleasure and cloistering members in Assembly chambers until dawn, Brown and his minions (most prominently, Isenberg and Majority Leader Tom Hannigan) convinced all

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but one Assembly Democrat to vote for the budget. The sole Democratic "no" came, unwaveringly, from Vasconcellos.

Amazingly, although the final package was very conservative and virtually all Wilson could hope for, he and Brulte could manage but eight GOP votes. The final "aye" was cast by a Democrat — rookie Debra Bowen of Venice, who waited until nearly 5 a.m. on June 21st to record the 54th vote. In the Senate, Democrats also did the heavy lifting, and the budget itself limped to Wilson's desk with a bare 27 votes on June 22nd — well before the deadline.

But passing a budget was only Act I. Still to come were 21 trailer bills meant to implement the budget. And Wilson insisted that he would not sign the budget itself until all those bills were on his desk. The governor had signed the 1991-92 budget — including a huge tax increase — in anticipation of trailer bills, which Wilson to this day claims never materialized. He refused to make that mistake again, even if it meant that the entire deal disintegrated in the debris from one trailer bill.

And it very nearly did, for the trailer-bill package was a briar patch, with thorns aplenty for everyone who had to cast a vote: the property tax grab (with exact formulas showing which counties and cities lost, and how much); the sales-tax extension; suspension of the renters' tax credit; welfare reductions; mandate relief for counties (including some welfare mandates); fee increases for community college students; special relief for Los Angeles County; and abolition of a health-care tax credit for small business. More than one legislator prefaced a floor speech *on behalf of a bill* by calling it loathsome and protesting that voting "aye" meant abandoning every principle acquired since birth. For several marathon floor sessions, some dangerously near the end of the fiscal year, lawmakers thrashed around in a kind of public angst over hard choices. No closed doors for them; their decisions were made in public. Through it all, Brown wielded his gavel at times like a magic wand, at times like a cudgel, presiding with a combination of humor and impa-

Balancing the budget's winners and losers

By Steve Scott

Nobody ever likes to talk about politics when dispensing bitter budget medicine. Ask a legislator who they thought came out ahead in the latest budget duel, and most will just roll their eyes, wring their hands, and talk about the "tough choices" they had to make.

Still, just as there are fiscal beneficiaries and victims from the budget fight, so also are there *political* winners and losers. Among the winners:

• Assembly Speaker Willie Brown Jr. Brown comes out of the wars with his reputation as a power politician intact, having gotten Democrats to vote for what he calls "the most Republican budget I've ever seen." His "scalawag speech," directed at Los Angeles County adds to his already substantial rhetorical legend.

• Assembly Minority Leader Jim Brulte. Brulte managed to keep the decibel level down among the hard-line, anti-tax conservatives that populate his caucus, while corraling GOP votes for Wilson's budget in the Assembly and in the Senate.

• Democratic Assemblyman Phil Isenberg of Sacramento. Isenberg did much of the heavy lifting on the trailer bills (see story, page 17).

• The California Teachers Association. Education funding — the issue that ignited much of last year's furor — was practically invisible as an issue this year, a testament to CTA's clout.

• The California Correctional Peace Officers Association. Governor Pete Wilson's biggest contributors managed to whittle a possible $440 million cut down to $9 million, a testament to *its* lobbying clout.

Losers are as easy, if not easier to spot than the winners.

• Democratic Assembly Ways and Means Chairman John Vasconcellos. Vasconcellos tried coalition-building, crafting a compromise "smart budget," only to wind up with a tire tread up his back as the "Big 5" ran over his conference committee and snatched the budget process away.

• The Senate. With power draining away from lame-duck Pro tem David Roberti, the Senate displayed some of the internal partisan monkeyshines normally associated with the Assembly.

• The Assembly's Rookie Class. Elected as "the anti-gridlock" class, most rookie legislators cast safely partisan votes, with re-election no less a factor in their decision than it was for the veterans. San Diego Republican Jan Goldsmith, who loudly touted himself as a bridge builder, earned special disdain. "He didn't cast one tough budget vote—not one," griped Isenberg.

• The counties. There wasn't much lobbying clout left for them when CTA and CCPOA got finished.

And what about Pete Wilson? Most observers believe he will have earned at least a temporary reprieve from his apparent free fall in the polls. "The governor needed to demonstrate an ability to manage the affairs of state, and he did that," says Republican political consultant Sal Russo. "That's an important accomplishment for him."

However, as the governor learned in the '91 and '92 budget fights, getting what you want can sometimes be as hazardous as getting what you don't want. Some think Brown pushed Wilson's budget plan through in an effort to hang a millstone around the governor's neck in the 1994 race. Brown denies such a motive, but adds there's still one more budget before the election.

"If you want to hang something around someone's neck," he says wryly, "you wait until they are in the water — and then you make sure it's good and heavy."

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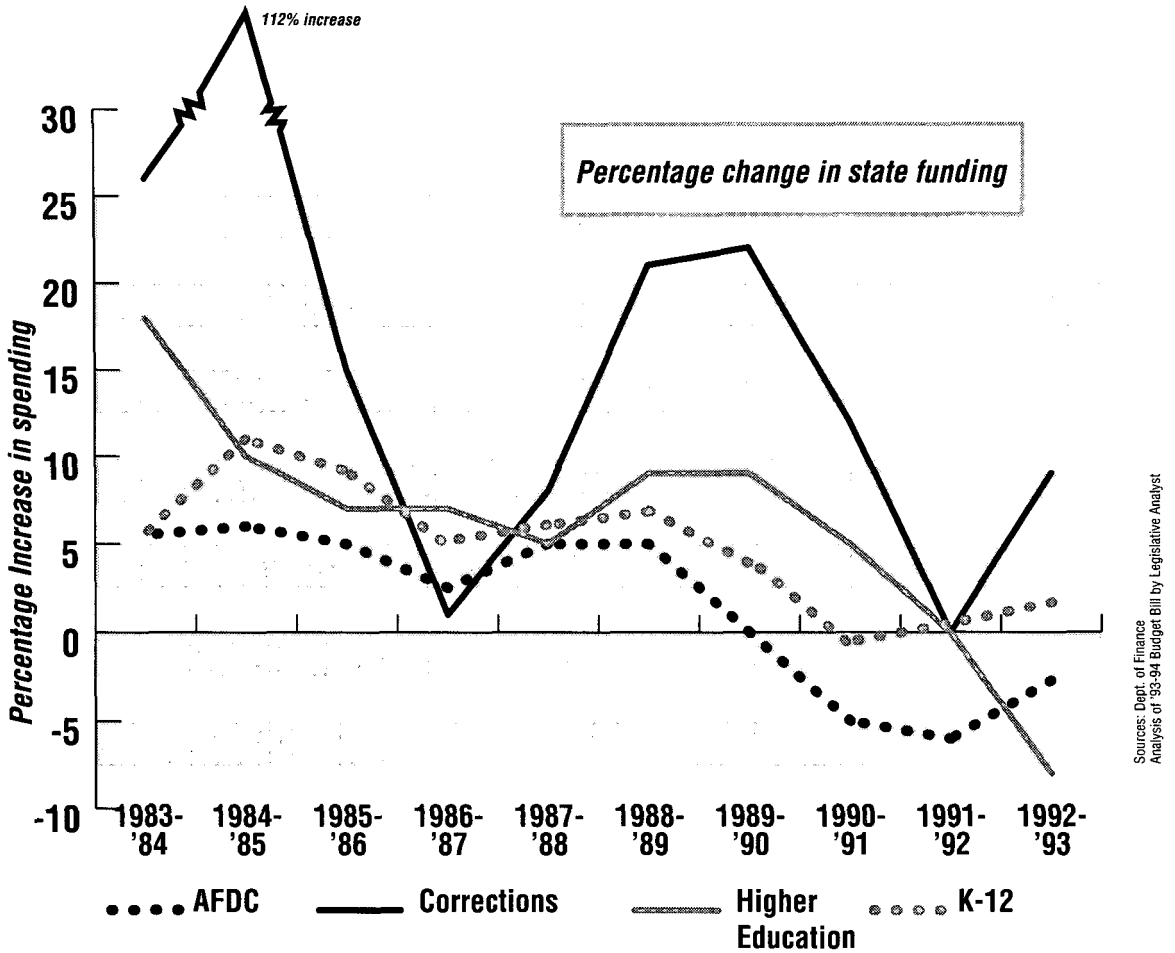

tience, keeping his fractious house focused.

The most vociferous debate centered on the property tax shift, which pitted county against county, city against city for slices of a dwindling pie. When word of the proposal first drifted out last January, local officials and employees trooped to the Capitol by the busload, holding rallies and pleading severe hardship with lawmakers and anyone else who would listen. Proponents of the shift argued that the state could no longer afford to provide money to counties and cities as a "bailout" from the consequences of 1978's Proposition 13 (see story, page 13). The alternative, they argued, was additional and severe cuts in state services or new taxes. Counties, hardest hit by the shift, did not go quietly into that good night; many are still fighting by suing the state and by ordering auditors not to fork over money to the state (see "Counties in revolt," page 21).

Officials from Los Angeles were particularly angry after it became apparent that more than 50 percent of the statewide shift came from their county's purse. A platoon of Los Angeles officials, led by Supervisors Ed Edelman and Gloria Molina, trekked to Sacramento during the final days to lobby, plead, cajole and threaten in order to mitigate their losses. Los Angeles lawmakers fell in lock step, withholding votes for trailer bills until a better deal could be worked out for their home county. To counter their efforts, Brown, in his most forceful floor speech in years, branded LA officials "scalawags" for trying to protect what the speaker scoffed was a bloated county budget. In the end, Los Angeles took the heavy hit, its lawmakers fighting an unsuccessful rear-guard action with failed trailers meant to soften the blow.

On the Senate side, a last-minute dispute over the renters' tax credit threatened to blow apart the entire deal. Providing a $60 credit for single people who earn less than $20,720, and costing the state $400 million per year, it was established as an equity for renters after a statewide sales tax had been imposed to fund a homeowners' tax credit. And its champion had been David Roberti, who proved to be the last fly fished out of the ointment, insisting that an agreement had been reached with Wilson to place a measure on the ballot next year giving the renters' credit constitutional protection. The final deal accommodated Roberti, but it took until the eleventh hour. It was the last puzzle piece to fall into place before the entire package could be placed before Wilson on the evening of June 30th.

Clearly, passage of the budget package was a *coup de Legislature* for Willie Brown, who placed his prestige on the line. And he did it for Wilson's budget. Speculation about Brown's motives has swirled around the theory that the speaker knows the budget is flawed and intends to let it collapse around Wilson just as the governor begins his 1994 re-election campaign. Rumors that Brown himself intends to challenge for governor suggest that he's also trying to demonstrate his ability as a consensus-builder. Perhaps, he's trying to end his long career in the Legislature with a flourish. Whatever the reason, Brown and Wilson proved an irresistible combination. Whether California benefits from their efforts, or has been delivered a sharp left hook to the jaw, remains to be seen.

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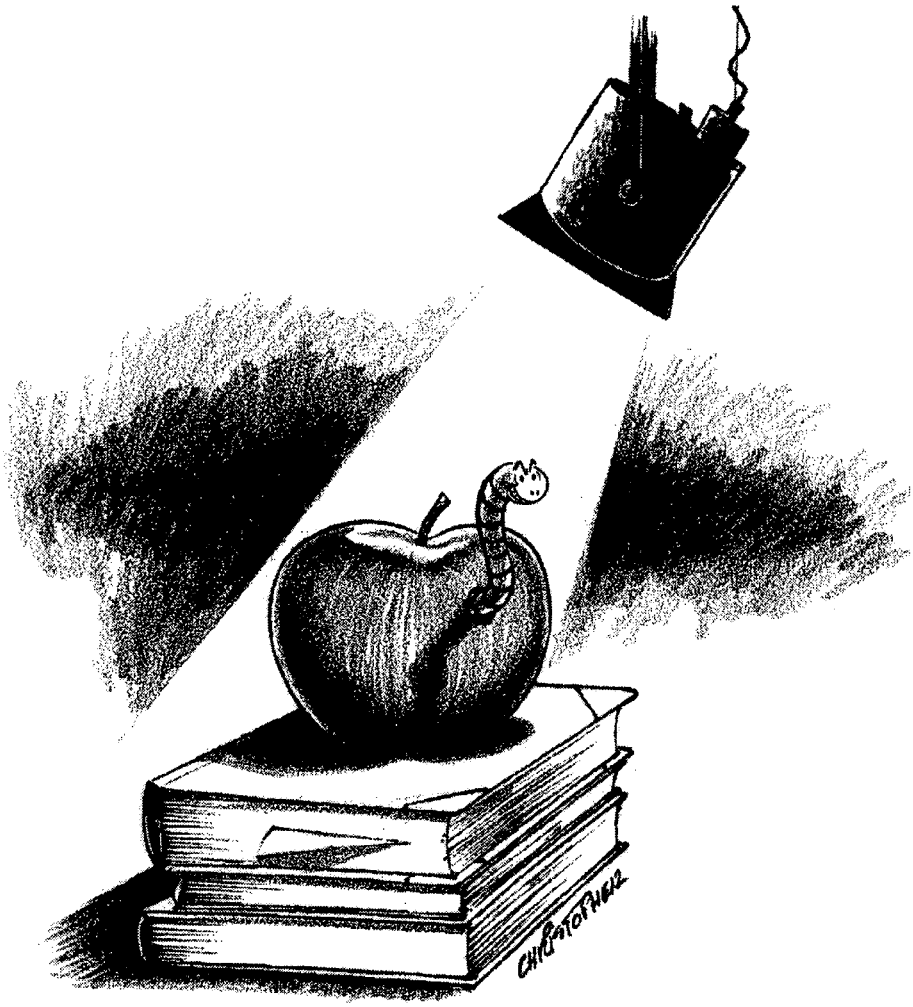

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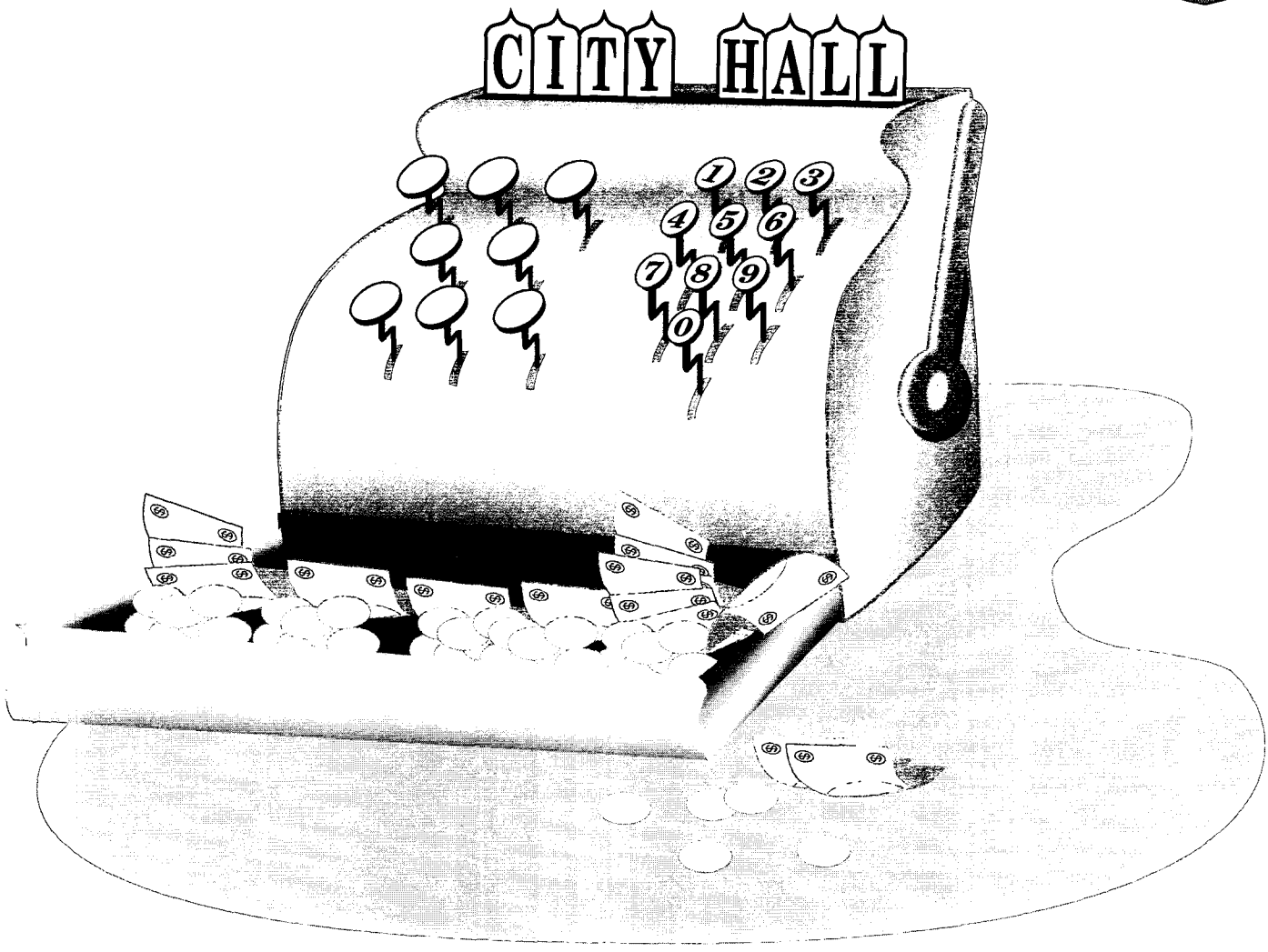

Local government hits the wall

Proposition 13 finally comes home to roost

By Mary Beth Barber

It's been 15 years since voters passed the property-tax-slashing Proposition 13, and this might be the yearwhenitsfinancial chickens finally came home to roost. The 1993 budget changes the way local governments earn revenue, shifting the emphasis from property taxes to sales taxes. Not only will this shift decrease their budgets in general, it may also affect how they view future growth. Some individuals, like Richard Gann (son of Proposition 13 co-author Paul Gann), claim that local governments will have to cut back and become more efficient. But budget critics like Democratic Senator Mike Thompson of Napa say that estimated savings for local government are grossly inflated. In addition, there will be some unfortunate long-term effects from the budget that he has dubbed "The Factory Outlet Act of 1993."

Since Proposition 13 first went into effect in 1978, cities and counties have largely been spared the true ramifications of the measure, which limited the

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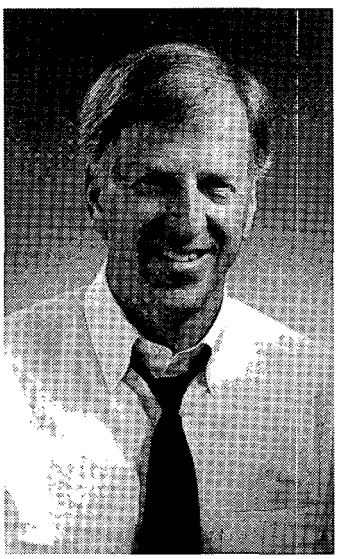
rate at which property tax could increase, by a state that provided them with compensatory money from other sources. The year Proposition 13 was passed, the state set this process in place through a bill known as AB 8 — the local bailout.

Everything went along smoothly until the 1990s, when California finally hit the recession wall and state government had to deal with serious budget shortfalls of its own. This year, in the third year of budget deficits, and politically unable to raise taxes, Governor Pete Wilson decided it was time to take money back from local government and, if locals complained, find alternative means for them to gain revenue.

Wilson and the Legislature had twice postponed that moment, first in 1991 when they agreed to impose a temporary half-cent sales tax, mostly to balance the state budget but also to continue to send money from property taxes to local governments. They managed to avoid big cuts to locals again last year. But by 1993, money going to cities and counties was at the very place where Wilson especially was looking for additional cash — the bottom of the barrel.

In the budget, $2.6 billion in property tax revenues will go to balance the state budget. To backfill for this loss, a half-cent sales tax imposed in 1991 and set to expire this past June 30th will be extended until January 1994. It may be extended past that date if voters approve it in a statewide election this November. In addition, cities and counties will supposedly save $535.6 million because the Legislature relieved them of having to fund certain state-imposed services. Workers' compensation reform is expected to save locals another $54 million. Finally, some other money has been funneled to locals from various transporation planning and motor-vehicles license funds.



Mike Thompson

Cities don't seem too upset by the deal. They, after all, are only being hit up for $288 million. It's the counties that are taking the brunt of the blow — a whopping $2 billion. The Wilson administration claims that most of that money can be gained back. Russell Gould, the newly appointed director of Finance and past secretary of Health and Welfare, pointed out that if all the counties support extension of the sales tax, they'll get $1.5 billion for their coffers. And with the law changes, estimated by the state to save $500 million, that just about brings them up to speed.

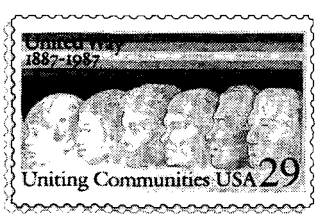
Counties, however, don't see it that way. They worry about the uncertainty. Even eliminating the state mandates doesn't mean counties can, politically, enact some changes, said Peter Detwiler, longtime consultant to Senate Local Government. The mandate relief list includes allowing counties to eliminate Medi-Cal optional benefits that the state drops, tells them they don't have to pay for school crossing guards, allows them to wait 72 hours instead of 24 hours to file a missing-persons report, and changes some county requirements for the mentally ill. Eliminating some of these would be political suicide for supervisors in some cases, said Detwiler. "You have to remember, mandates are there because somebody wants them" he warned.

Other complaints concern the time limits placed on some of the mandate relief options. Many of them only apply for one or two years, while the property-tax shift is a permanent measure, said Steve Swendiman of the California State Association of Counties. Others, such as a proposed two-tier retirement system, don't represent savings until five years down the line, but state budget-writers credit it with saving $100 million. "This is all smoke and mirrors," said Swendiman.

Thompson voted against the budget, claiming that the savings for counties are realistically closer to $50 million, at least when he looks at the counties he represents. Furthermore, relief from the mandates falls unevenly. Some counties might have savings, others might not.

Another sore point for counties is the lack of a guarantee voters will extend the sales tax in November. But Gould is confident that most counties will end up with the extension. If a county's board of supervisors ratifies the extension or the county's voters approve the extension by a simple majority, it will share in nearly $1.5 billion statewide. With such a scenario in place — that it takes the vote of the supervisors or the voters — chances are good that the measure will pass across the state, said Gould.

Local governments no doubt will be grateful to get the extra money. But many question whether the taxing mechanism leads to the best long-term planning for a city or county. When property tax was the essential revenue source for a local government, planners encouraged residential projects and industry. But local officials speculate that cities and counties will encourage development of stores and shopping centers instead of housing and manufacturing



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because shops and malls produce sales-tax revenue. Housing and manufacturing chew up resources in services, infrastructure and maintenance, said Swendiman.

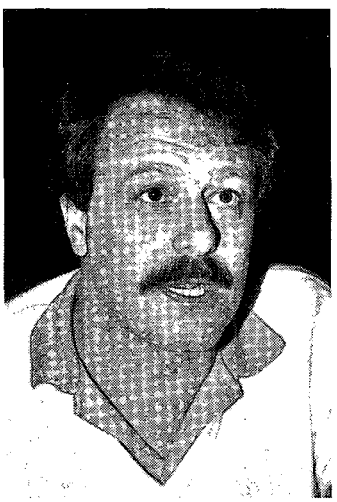
Currently, it's difficult to say exactly how all of this will affect local governments because there are no completed surveys or analyses, said Debbie Thompson of the League of California Cities. But she noted that even now some cities are basing their future development plans on the results of this year's budget, and favoring projects that will gain sales tax. Most observers point to the situation faced by the city of Monrovia. Originally intending to accept a bid from Kodak to build a small manufacturing facility, Monrovia officials apparently abandoned the Kodak proposal and instead prepared to build a Wal-Mart. Debbie Thompson claims that city officials felt they would be faced with budgetary problems with the Kodak facility, while the Wal-Mart would provide sales taxes. "They turned away $20 per hour jobs for part-time employment" below $10 per hour, she said. "And that doesn't help the economy in the area." Other cities could use similar reasoning in the future. "Obviously every city can't have an auto mall — that isn't realistic," she said. "But cities may tend to favor projects that get them sales tax."

Housing development could decrease as well, said Swendiman. Smaller or even middle-size residential areas don't support themselves because the property tax taken in doesn't fully support the cost to build and maintain such things as sewers, sidewalks and roads. "I think it will be a much more fee-driven system," he said. Low- and moderate-income housing will be driven away. Not that all local government officials will choose the sales-tax revenue route because all elected officials behave differently, said Swendiman, but the incentive to do so is far greater than before.

Gould, on the other hand, points out that cities and counties still get much of their revenue from property taxes, and the speculative "auto-mall theory" is just that — speculation. "I guess I'm not convinced that it's going to occur," he said, adding that planners aren't completely short-sighted when making decisions. The trade-offs in the budget package that allow local governments relief from state mandates far outweigh the speculative "auto-mall" theory, he said.

Carol Whiteside, director of intergovernmental relations for the Wilson administration, said that while the state was looking for the best solution in the short term, the shift may actually improve overall planning in the state. Rural counties in the north state are looking to combining duties to help revenue problems. "This is new — it's been pushed by the economic situation," she said.

Further, as property taxes become less important, counties will have less



Steve Swendiman

incentive to build development projects in unincorporated areas. Counties have sought to develop in areas that were not incorporated into cities to gain the property tax revenues, resulting in projects springing up in the middle of rural land miles from other development. Take away counties' incentive to build in this manner, and new development will take place where it should have in the first place — around existing cities. "Whether that is good or bad is relative," she said, "but we want to be cost-effective — environmentally and economically. Building in unincorporated areas is more expensive," in terms of money and environmental effects. Large areas of open land are much more environmentally sound that smaller ones broken up by housing developments connected by freeways.

Both sides agree that the next few years will be milestones for local governments as they reorganize how they gain revenue and how they plan development. The move wasn't planned very carefully, said Richard Gann. "They only acted when the state got into trouble," he said. "They should have been weaning off local governments for years."

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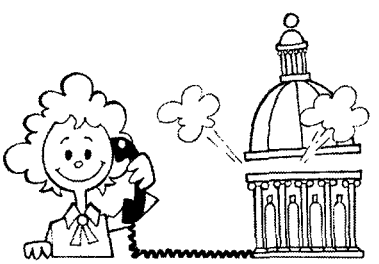

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Photo by Rich Pedroncelli

Sacramento's Phil Isenberg:

Mr. Pragmatism hits his stride

By Steve Scott

It was approaching midnight one Saturday night late in June and almost nobody was where they really wanted to be. The "Big Five" —Governor Pete Wilson and the four top legislative leaders — had been closeted in Wilson's office for nearly 15 hours, less an hour or so for lunch. In the reception area, a group of about 10 surly journalists continued a frustrating vigil, waiting for news of a budget breakthrough. Suddenly, the doors swung open and in walked a nattily dressed, slightly balding assemblyman with a gait suggesting that his day was only just under way. After briefly surveying the scene with a bemused grin, the assemblyman disap-

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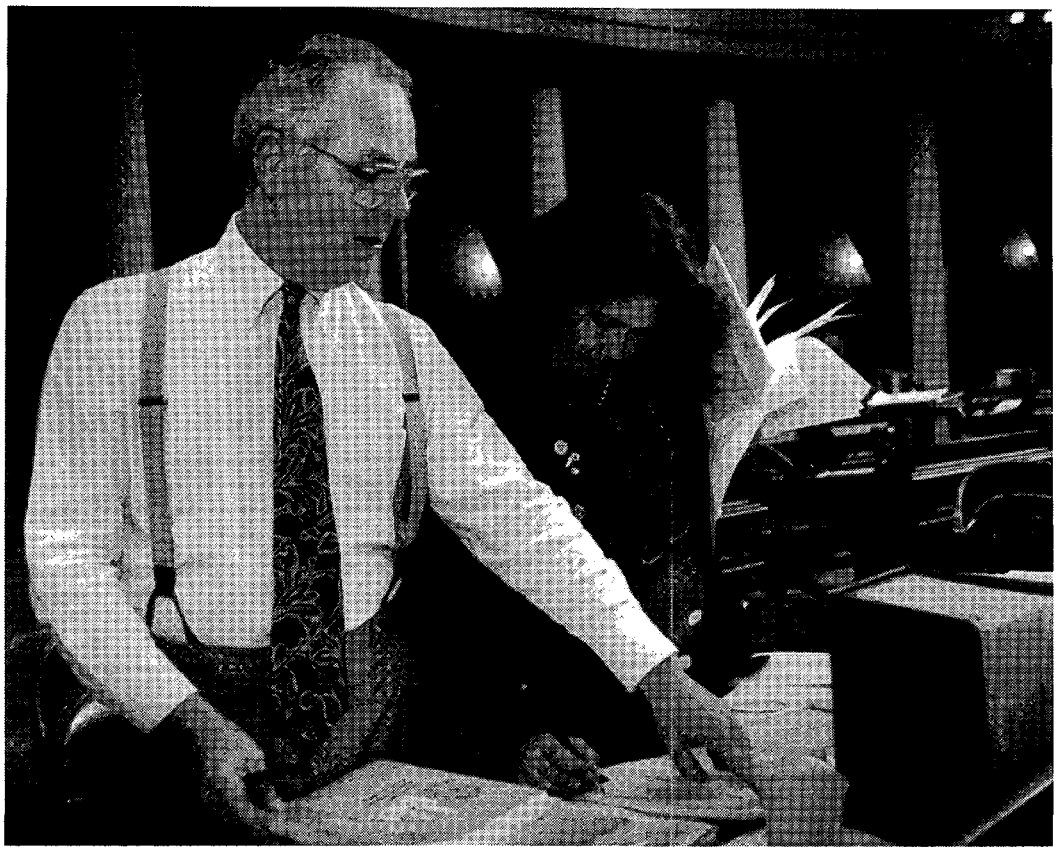

peared into the inner sanctum.

Sacramento Democrat Phil Isenberg's inclusion in the "Big Five" negotiations — the only rank-and-file legislator so anointed — was the clearest indication yet of his arrival as a major player in Sacramento's budget politics. Last year, the 54-year-old Isenberg and Republican state Senator Frank Hill of Whittier fashioned a freelance budget plan credited by many with helping break a 64-day impasse. This year, Isenberg was the lead Democrat on the thorny issue of relieving state mandates on local governments and carried the $2.6 billion property tax shift on the Assembly floor.

"He is the most talented member around, in that regard," says Assembly Speaker Willie Brown Jr. "It is what he enjoys more than anything else, and he always cuts himself a niche."

That Isenberg would find himself as "Mr. Inside" on budget issues isn't all that surprising. The Gary, Indiana, native began his career in politics as a staffer for Brown in the late '60s, and when the latter became chairman of the then-powerful Assembly Ways and Means Committee, he tapped Isenberg as his chief of staff.

Isenberg's career in state government took a detour in 1975, when he was elected mayor of Sacramento after having served four years on the City Council. It was as mayor that his pragmatic side began to emerge. "Phil was often less interested in the actual outcome than he was that there actually *be* an outcome," noted one former city government colleague.

Isenberg returned to state politics in 1982 when he was elected to the Assembly in a district custom-made for him by his old buddy, Willie Brown, by then early into his role as speaker of the Assembly. Isenberg eventually was named to chair the Judiciary Committee (against his wishes, he insists) and has also been in the middle of the state's water wars. He was one of the first lawmakers to publicly suggest that too much Northern water is going to Central Valley agriculture rather than to the more populous urban centers in Southern California.

It is on fiscal issues, however, where Isenberg's interest — and impact — is keenest. When it became clear last year that Wilson and the legislative leadership were on a partisan collision course, Isenberg began his now-famous collaboration with Hill, turning out an independent budget plan that preserved school funding and hacked away at everything else. The plan, unveiled a month into the new fiscal year, was a powerful challenge to the gridlocked leadership, and laid bare the harsh choices facing a Legislature and governor unwilling to increase taxes.

"Last year, the battle was 'no taxes, no roll-over,' says Hill. "Once that's done ... it becomes easier to deal with somebody who philosophically you may not agree with but who's got a lot of smarts because you always end up with the same conclusions."

While the Hill-Isenberg plan was not the budget eventually signed by Wilson, many credit it with having shamed Wilson and Brown into ending a six-week media war and beginning negotiations that eventually led to a budget agreement. It also gave Isenberg a platform from which to champion his favorite theme — "Give Pragmatism a Chance."

"We insist in talking in extremes about issues," Isenberg says. "'The world is coming to an end,' 'disaster will strike,' 'the counties are being raped.' Give me a break."

That "real world" approach proved to have an eve broader impact during this year's budget process. Many insiders think Isenberg's coalition-building philosophy was very much evident in the compromise "smart budget" plan proposed by Assembly Ways and Means Committee Chairman John Vasconcellos (see story, page 7).

Continued on Page 19

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"It may not have been direct conversations," says former Democratic Assemblyman Lloyd Connelly, now a Superior Court judge. "It's just the milieu and environment of saying, 'Hey, I don't really want to do this, but this is where we are.' I think that's been a real service to the Assembly Democrats."

Isenberg is far more than a mere fiscal Socrates, however. When the leadership and Wilson were ready to deal, Isenberg was the man with the answers on the question of mandate relief and the proposed $2.6 billion property tax shift. He also proved to be Brown's secret weapon in wheedling the last few crucial votes on the budget.

"The last person I talked to before I voted was Phil Isenberg, and the discussion was about integrity," said Democratic Assemblywoman Debra Bowen of Venice, who cast the 54th and deciding vote on the main budget bill. "That [conversation] was on my mind when I voted."

Despite his background as a former mayor, Isenberg's increasing clout is no great victory for local government. In fact, if counties ran the post offices, Isenberg's picture would be on all the walls. "Phil Isenberg is a 'city guy,'" grumps Steve Swindeman, executive director for the California State Association of Counties. "I don't think he knows what a county is."

Even some of Isenberg's friends concede he can sometimes take the pragmatism thing a little too far. "He will identify earlier where the logical compromise point is," says Connelly. "On occasion he'll identify that point too early, because sometimes you know where it is, but for negotiating, you're maybe not always served to identify that right at the top."

But friend and foe alike agree that Isenberg is one of the smartest — if not the smartest — person in the California Legislature. He is also possessed of a quick, ironic and often biting wit. During one conference committee discussion of mandates earlier this year, Isenberg was asked how much money would be saved if a particular mandate were relieved. He responded, with mock seriousness, "*Hundreds* and *hundreds* of dollars."

As with all legislators, the term-limit clock is ticking on Isenberg (he's chased from the Assembly in 1996). The Senate appears out for now, for incumbent Democratic Senator Leroy Greene wants to run again and Isenberg has already promised his support. Congress, the administration and the judiciary are possible options, but what Isenberg would really like to do is help fashion a constitutional revision commission. His bills to create such a commission to refashion the state's financial structure have been vetoed three times by two different governors. "I keep telling the governor [Wilson], 'You are going to want this someday,'" he sighs.

Unlike many of his colleagues, who fret about life after term limits, Isenberg seems unconcerned. According to some observers, this attitude is a tribute to Isenberg's self-confidence. "He's taking term limits totally unfazed ... because at a certain level, he knows he can do other things." said former Democratic Party Chairman Phil Angelides, a 20-year friend to Isenberg.

Whatever the future holds, it's clear Isenberg is reveling in his newfound influence. "He's enjoying it much more than I did," observes Connelly. "I think he's kind of hitting his stride."

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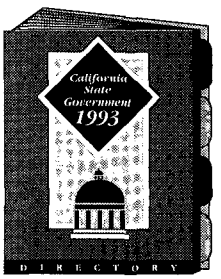

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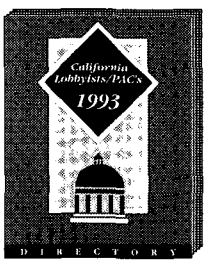

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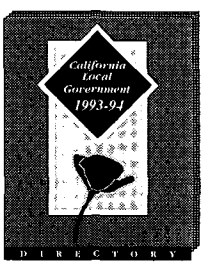

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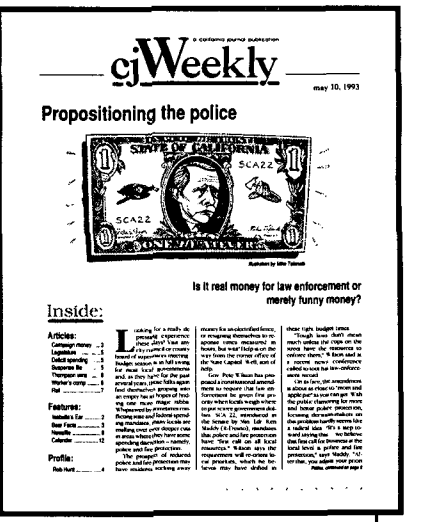
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Cartoon by Chris Van Overloop

Stung by a grab of property taxes by the state, county governments are fighting back

By Danielle Starkey

The budget has been signed, the back-patting has subsided and legislators have scattered to their districts for the month-long summer recess.

But the dance isn't over yet, county officials have warned. Angered that the state is balancing the 1993-94 budget on a $2.6 billion property tax grab" from local governments, counties have vowed to continue the fight in the courtroom and at the ballot box.

"The state has now opened up the taxpayers' purse and is saying, 'We're going to play in your pocketbook,'" said Contra Costa Supervisor Sunne McPeak. "We think this is an improper thing to do and a stupid thing" for the state to dodge its responsibilities and force local governments to cut programs, she said.

Contra Costa is one of at least 22 counties that have adopted ordinances ordering their county auditors to defy the law and withhold property taxes from the state, and 36 counties have passed resolutions, supporting the retention of taxes, according to Daniel Wall, lobbyist for the California State Association of Counties (CSAC).

"Contra Costa County went one better: they put a measure on the ballot," Wall said, and 78 percent of Contra Costa's voters approved the measure, which calls on the county auditor to defy the state.

Whether counties have any force of law on their side is yet to be determined, but the state Constitution (Article XI, Section 1) clearly indicates that counties are subdivisions of the state and their powers are defined by the Legislature. According to Brad Sherman, chairman of the state Board of Equalization (which adjudicates tax disputes), the state has the authority to determine the distribution of property taxes, and auditors who refuse to comply with the law could go to jail.

But legal experts in Los Angeles County and elsewhere are not deterred. In addition to ordering its auditor not to hand over the money, Los Angeles County has sued the

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County:	Net Effect of Property Tax Shift with Full-Year Sales Tax:*
Alameda	-31,197
Alpine	+8
Amador	-142
Butte	-1,458
Calaveras	-607
Colusa	-130
Contra Costa	-19,563
Del Norte	-75
El Dorado	-1,715
Fresno	-10,058
Glenn	-315
Humboldt	-1,107
Imperial	-1,035
Inyo	-356
Kern	-8,676
Kings	-1,673
Lake	-701
Lassen	-286
Los Angeles	-299,550
Madera	-1,049
Marin	-1,673
Mariposa	+24
Mendocino	-851
Merced	-3,712
Modoc	-139
Mono	-358
Monterey	-2,141
Napa	-1,191
Nevada	-1,347
Orange	-12,503
Placer	-2,011
Plumas	-118
Riverside	-20,166
Sacramento	-24,667
San Benito	-519
San Bernardino	-23,165
San Diego	-12,566
San Francisco	-36,599
San Joaquin	-14,582
San Luis Obispo	-4,050
San Mateo	-2,712
Santa Barbara	-3,900
Santa Clara	-11,244
Santa Cruz	-2,027
Shasta	-584
Sierra	-66
Siskiyou	-442
Solano	-4,170
Sonoma	-3,600
Stanislaus	-3,490
Sutter	-852
Tehama	-475
Trinity	-88
Tulare	-6,097
Tuolumne	-539
Ventura	-7,340
Yolo	-1,596
Yuba	-1,496

*In the thousands of dollars

Source: Legislative Analyst's Office, Assembly Revenue and Taxation Committee

state over the tax shift, alleging that it violates the state Constitution, said Frederick Bennett, Los Angeles' assistant county counsel. Other counties — including Contra Costa, San Diego, Plumas, Sonoma and Kern — also are preparing legal action, according to McPeak.

Governor Pete Wilson and his allies — including Democratic Assembly Speaker Willie Brown Jr. — defend the tax shift as necessary to maintain education funding at current levels in the face of declining revenues. They say that if counties, which collectively stand to lose $2.2 billion from the shift (the rest comes from cities, special districts and redevelopment agencies) are successful in their efforts to withhold the money, not only will the budget be thrown off balance, but additional cuts in state services will be required as the state takes the equivalent amount of money from the state general fund.

Further, the shift is not a "tax grab," Wilson andBrown insist, but rather an end to a state subsidy California can no longer afford, and that counties have enjoyed ever since voters approved the property-tax slashing Proposition 13 in 1978. (Prior to Proposition 13, which capped property tax rates at 1 percent, local governments could set their own tax rates.) The formula for determining how much money is taken from each county under the tax shift is linked to the formula in the so-called county bail-out bill passed in 1979 that helped local governments survive the loss of property tax revenue, said H.D. Palmer, assistant director of the Department of Finance. Democratic enclaves such as Los Angeles and San Francisco appear to have fared worse than Republican enclaves such as San Diego and Orange counties (see chart above), but that is not politically motivated, according to Fred Silva, chief fiscal adviser to Senate President pro Tempore David Roberti of Los Angeles. "People try to divine motives and external forces at work here," such as that Pete Wilson was protecting San Diego, of which he's a former mayor. "But no, that's not the objective, it's the outcome. It happens that San Diego had a relatively low property tax rate because they'd been reducing property taxes before Proposition 13," he said.

In any case, legislators and the governor agreed to measures to help soften the blow to local governments, Palmer said. These include extending until January a half-cent sales tax that was set to expire last month (a move Wilson agreed to after pressure from local law-enforcement officials); a reduction in state-ordered local programs and a ballot measure in November to give voters the opportunity to decide whether to make the sales tax permanent.

County officials say that some of the mandate relief is irrelevant, since they can't in good conscience stop providing certain services to their neediest residents. In addition, they say, voters may reject the permanent tax.

"I think it's really difficult to budget without knowing what your revenue stream is," acknowledged Democratic Assemblywoman Debra Bowen of Venice, who cast the deciding vote on the state budget last month. But she said that she worried her Los Angeles district could have been worse off under another budget scenario if she had stuck to her "no" vote.

The speaker has made no secret of his disdain for county complaints, and in particular has attacked Los Angeles County (which sent some high-powered contingents — including Supervisor Gloria Molina, a former assemblywoman — to Sacramento to convince legislators to strike a better deal for Los Angeles during budget negotiations). In an Assembly floor speech in which he labeled Los Angeles supervisors "scalawags," Brown said it was unconscionable for counties to

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complain about what amounted to a 1 percent reduction in their overall budgets when state government was being cut 7 percent.

"For openers, the Los Angeles supervisors never should have been in Sacramento making any requests. This Legislature, with regularity, has been overly generous to Los Angeles," Brown said later. He also has criticized Los Angeles for supporting a "bloated system" that pays supervisors $99,297 per year, and close to 450 additional county employees more than $100,000 per year.

Counties respond that much of their budgets are dedicated to state and federally mandated health and welfare programs. In Los Angeles, 87 percent of the budget is spoken for and 13 percent is discretionary, said Bennett.

"If [the state] is going to be intellectually honest about this, they need to look at the amount of money [counties receive that is] earmarked ... to state and federal health and welfare programs," said McPeak. "If they did that, you'd find it's more than their '1 percent' [cut to counties]. I don't know what that calculation is based on," she added.

Local governments are loathe to lose a share of property tax revenues because that has been a wonderfully stable source of income, said Rebecca Taylor of the California Taxpayers Association. "All of these local jurisdictions love the property tax. Until recently, the average annual yield of year-to-year increases has been in the double-digits," she said. The theory that a sales tax alone could make up for the loss of property tax revenue doesn't work for most counties, since they are "tax poor," she added.

Among the allegations in the Los Angeles lawsuit are that the state's taking of the property tax violates the constitution because under Proposition 13, the 1 percent property tax was to be allocated according to law, but didn't specify which law. Courts will be asked to decide if counties — or a vote of the people — take precedence over the will of the governor and Legislature in allocating those dollars.

Los Angeles also is attempting to show that the shift amounts to depriving counties of "home rule" since it deprives Los Angeles of such a substantial portion of its discretionary income. Finally, Proposition 98 sets forth a formula for counties and the state to contribute to education. "The state has now reneged on their position on education funding and has asked the local taxpayer to contribute more than is provided for in the state Constitution," said McPeak.

To Silva, these efforts will come to naught. "Counties are an administrative arm of the state, whether they like it or not. They don't have the same 'home rule' privileges that charter cities do," he said. In addition, the county has misinterpreted Proposition 98 — the initiative that guaranteed a certain level of spending for education. "What Los Angeles County is trying to assert, wrongly, is that the real test [for education spending under 98] is 40 percent of general-fund revenue and nothing to do with property taxes."

Wall said that a CSAC task force is investigating the feasibility of getting the Legislature to approve a constitutional amendment to prevent the state from reallocating the locals' property tax revenue.

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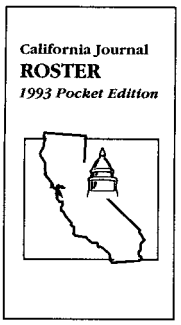

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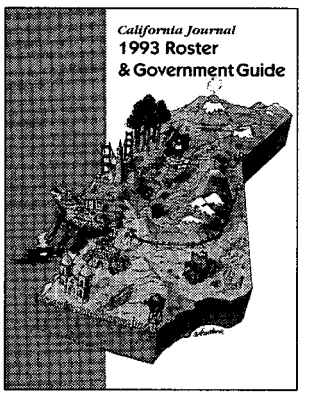

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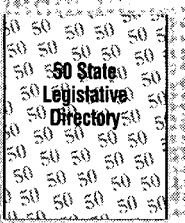

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The Canvas Casino

Illustration by Mike Tofanelli

California, Indian tribes battle over gambling

By Steve Wiegand

"Civilization will embrace the Indians with its blessings, or sweep them from the face of the Earth."—Stephen R. Riggs, 19th century missionary.

"Civilization" has been hugging the hell out of the Sycuans lately. Amid the rolling, boulder-dotted hills about three miles east of San Diego, the square mile that constitutes their tribal lands are host to new red-tiled homes, a new health clinic, a police department, a fire station and a tribal center. Education scholarships are available for members, and the tribe's paramedic service provides aid to surrounding communities as well as on the reservation. What for most of a century was a wasteland of shacks and outhouses has been reborn.

The financial fountain of youth that paid for the transformation is a handsome sand-and-peach-colored building that wouldn't be out of place on the Las Vegas Strip — a casino wherein an estimated 1.5 million annual visitors try their luck at a poker, bingo, Pai-Gow, off-track betting on horse races, a version of blackjack and even devices that the casual visitor might label as a slot machine.

Like two dozen other California tribes — and more than 130 tribes across the nation — the Sycuans have turned to gambling as a base for economic salvation. The result has been the creation of an industry that has gross annual revenues of more than $1.5 billion and has brought casino-style gambling to the doorsteps of major urban areas such as San Diego, Boston, Kansas City and Minneapolis-St. Paul.

"Gaming has been a lifesaver to the community and other Indian communities," said Sycuan leader Dan Tucker. "It's given us a future."

It's a future, however, that may be as problematical as

Steve Wiegand is on leave from The Sacramento Bee.

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filling an inside straight, clouded by political machinations, legal uncertainties and an array of opponents that range from Nevada's gambling industry moguls to California's attorney general.

Opponents say the rise of Indian-run gambling centers threatens to draw organized crime like roadkill draws flies, disrupt the moral fabric of communities and even hurt the state Lottery. The Indians, and their supporters, say the real opposition is based on the fact that they're Indians.

"All we want is to be treated like everyone else is treated," said Norma Manzano, chairwoman of the San Manuel tribe near San Bernardino and vice chairwoman of the California-Nevada Indian Gaming Association. "We want to be treated in this matter with respect, as people and as Indians ... and so far, we haven't received that kind of treatment."

If there's an invisible minority in the Golden State, it has to be the American Indian. Despite being the home for more Indians — about 240,000 — than any state except Oklahoma, California has no large Indian communities. Most members of the state's 100 tribes live in urban areas. The largest of the state's 80 reservations, or "rancherias," has only a few inhabitants; most have fewer than 200.

Household income levels, according to the U.S. Census, are $15,000 below those of white households. A federal study released last year found that California Indians were more than twice as likely to die before the age of 45 as the general population. Many rancherias have lost water rights to urban water agencies.

"Historically, Indians of California have received much less consideration than Indians of other states," a special state Senate committee concluded in 1966. "The rancheria system in unique to California and these generally isolated, small acreages provide little else than homesites."

And bingo halls. Starting in the late 1970s and early '80s, tribes began exercising their status as sovereign nations to run high-stakes bingo games that were not subject to state taxation, or regulation. By 1986, the state attorney general's office was trying to persuade the U.S. Supreme Court that games run by the Cabezon Reservation near Riverside should be forced to adhere to state law because the Indians could not police themselves.

"The reservation system was not created to turn Indians into professional gamblers or to convert reservations into gambling havens patronized by non-Indians," argued Deputy Attorney General Roderick Walston.

But the high court disagreed. In a landmark 1987 decision, the justices said that once the state had legalized a particular form of gambling, for whatever reason, Indians could offer the same game — only without state restrictions and without having to cut the state a piece of the profits.

The court ruling put pressure on Congress to approve a bill that had been hanging around for four years. The bill — the Indian Gaming Regulatory Act, or IGRA — was designed to establish federal rules for the states to follow when dealing with Indian gambling. Under IGRA, types of gambling were put in three classes. Class I, or purely social, games were to be strictly under the purview of the tribes. Class II games, such as bingo and card games in which players did not bet against the house — called "non-banking" games — were to be overseen by the newly established National Indian Gaming Commission. The third class, casino-style games and parimutuel betting, were to be worked out in "compacts" between the tribes and the states. If a state already allowed a Class III game, even if just for charity, it had to allow the Indians the same games for profit.

But mostly what IGRA did was confuse things further. It took the Reagan-Bush administrations nearly three years to appoint the Indian Gaming Commission. In the meantime, some states reached compacts with their tribes, while others went to court.

California tried the first, then opted for the second. In a joint announcement in May 1992, lawyers for seven tribes and representatives for Attorney General Dan Lungren said they had agreed to disagree on what kind of games the state's tribes could offer and would leave it up to the federal courts to decide.

The key issue of disagreement is deceptively simple: slot machines and their cousins, video poker, keno and blackjack machines. Indians want them, since the machines are far and away the biggest cash cows in the gambling business. Lungren, the Wilson administration and most Nevada casino owners do not want Indians to have them.

Under California law, slot machines are illegal. Since the state specifically prohibits slot machines, Lungren has said, California officials are under no obligation to negotiate their use on reservations. But the tribes say that what they want to operate aren't really slot machines and aren't much different from some of the equipment used by the state Lottery.

"The state of California is the gambling business," said Howard Dickstein, a Sacramento attorney who has represented various Indian tribes for years. "For the state to try and prevent the tribes from being in the same business is not only hypocritical, it's mean-spirited."

But the attorney general's office counters that it's ridiculous to equate state Lottery games such as the relatively new keno game, with slot machines.

"Lottery machines sell tickets, you don't win anything from the machine itself," said Cathy Christian, the deputy attorney general who is the state's chief negotiator on Indian gambling. "Similarly, the Lottery has a clearly defined prize pool, and all of it is awarded in prizes. Slot machines are set up to make a profit for their owners."

For federal Judge Garland Burrell, however, that may be a distinction without a difference. Last March, Burrell indicated he may side with the Indians. In a tentative decision, Burrell said he agreed with the tribes' contention that the state's general policy toward gambling is "regulatory" rather than "prohibitory," and that most, if not all, casino games should be subject to negotiations between the tribes and the state.

Unlike state judges, federal judges can take as long as they want to make a formal decision, and there is no indication when Burrell will rule. In any event, both sides say the decision is likely to be appealed, in part because of the state's argument that under the 11th Amendment, a state cannot be forced by the federal government to negotiate with another sovereign state — in this case, the tribes. That argument, already used by a dozen other states, will likely be decided by the U.S. Supreme Court. California officials also have appealed to Congress to clarify IGRA. In a letter to the state's congressional delegation in April, Governor Pete Wilson asked them to support proposed amendments that

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would strengthen the state's hand.

In the meantime, several tribes are already operating machines. At the Table Mountain rancheria near Fresno, for example, the banks of machines lack the traditional appendages of one-armed bandits, and there's no place to insert coins. Instead, players feed in bills, from $1 to $20, and push buttons. When a player wants to cash out, he or she pushes a button and gets a paper receipt which they can exchange for cash. The games include video poker, a form of keno, and a game in which players try to match up three identical objects in a row. It's sort of like, well, a slot machine.

Whatever it is, it's profitable. Tribal Mountain Chairman Vern Castro estimates that as much revenue comes from the games as from bingo, poker and other card games combined.

The fact that such games engender large amounts of cash, and the fact that large amounts of cash have been known to attract crooks, is what has Lungren and other law enforcement officials worried.

"Money in large amounts attracts the attention of organized crime, which moves in when you don't have strong enforcement and regulation," Lungren said in a recent interview with the *San Francisco Examiner.* "People talk about gambling being totally benign, as though it has no impact whatsoever on law enforcement resources, and we know that's just not true."

Indeed, there have been instances of corruption associated with the games. In San Diego, for example, reputed mobsters associated with organized crime in Chicago have been charged with trying to infiltrate gambling operations at the Rincon Indian Reservation.

But Indians say such instances are relatively few and far between, and their argument has been supported by some federal law enforcement officials.

"The perception in the media and elsewhere that Indian gaming operations are rife with serious criminality does not stand up under close examination," said Paul Maloney, a senior counsel for the U.S. Department of Justice. "Insofar as organized crime is concerned, the Department of Justice believes that to date there has not been a widespread or successful effort by organized crime to infiltrate Indian gaming operations."

A more serious problem, at least for the Indians, has been the rip-offs engineered by operators hired to manage the casinos. Federal auditors said earlier this year that a limited review of tribal casinos found at least $12 million had been diverted through theft and mismanagement. At Table Mountain, for example, there were numerous hints and allegations of mismanagement in the casino's early years. Despite a huge amount of money rolling through, the tribe benefited very little until it hired a new management company in 1990. Since the new deal, under which the tribe gets 60 percent of the profits and the operating company 40 percent, revenues have increased considerably.

"We learned a lot of things the hard way," said Castro.

In addition to fighting the state and law enforcement officials, the Indians also are opposed by some of California's neighbors, particularly those who own casinos in Nevada. The Nevada Resorts Association has pledged to spend up to $1 million to lobby for changes in the federal Indian gaming law, and contributed more than $250,000 in the past two years than oversee Indian affairs.

Although industry officials say they are more concerned with upholding the "integrity" of gambling than they are with losing business to the Indians, other observers say the main concern is competition.

"The spread [of legalized gambling] is going to hurt here, and anyone who says it isn't is fooling himself," said William Thompson, a University of Nevada, Las Vegas, economics professor and gambling industry expert. "It won't hurt everyone the same, but it will hurt."

Some Nevada moguls are taking an if-you-can't-beat-'em-join-'em approach, offering to manage Indian operations for a share of the profits. In Palm Springs, for example, the Agua Caliente tribe is building a $20 million casino complex in conjunction with Caesars World.

Whatever the outcome of the political and legal battles are, Indian leaders say they aren't banking on a long and happy future in the gambling business. Instead, they say, the smart tribes will use today's bingo and slot profits to invest in other enterprises.

"Five years from now, we don't know whether we will have Indian gaming or not," said Manzano, whose San Manuel Reservation runs one of the most profitable bingo operations in the country.

"So we want to make sure we have put enough away to provide a solid education for our kids. We need to use our revenues for economic development today, because we can't count on the gaming tomorrow. There have been too many broken promises in the past to count too much on anything," Manzano said.

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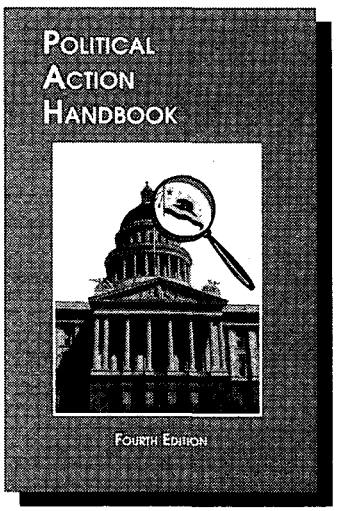

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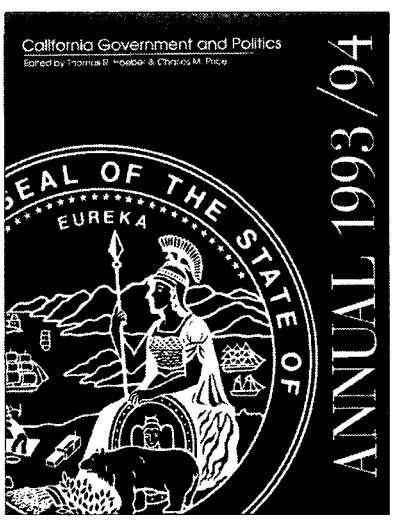

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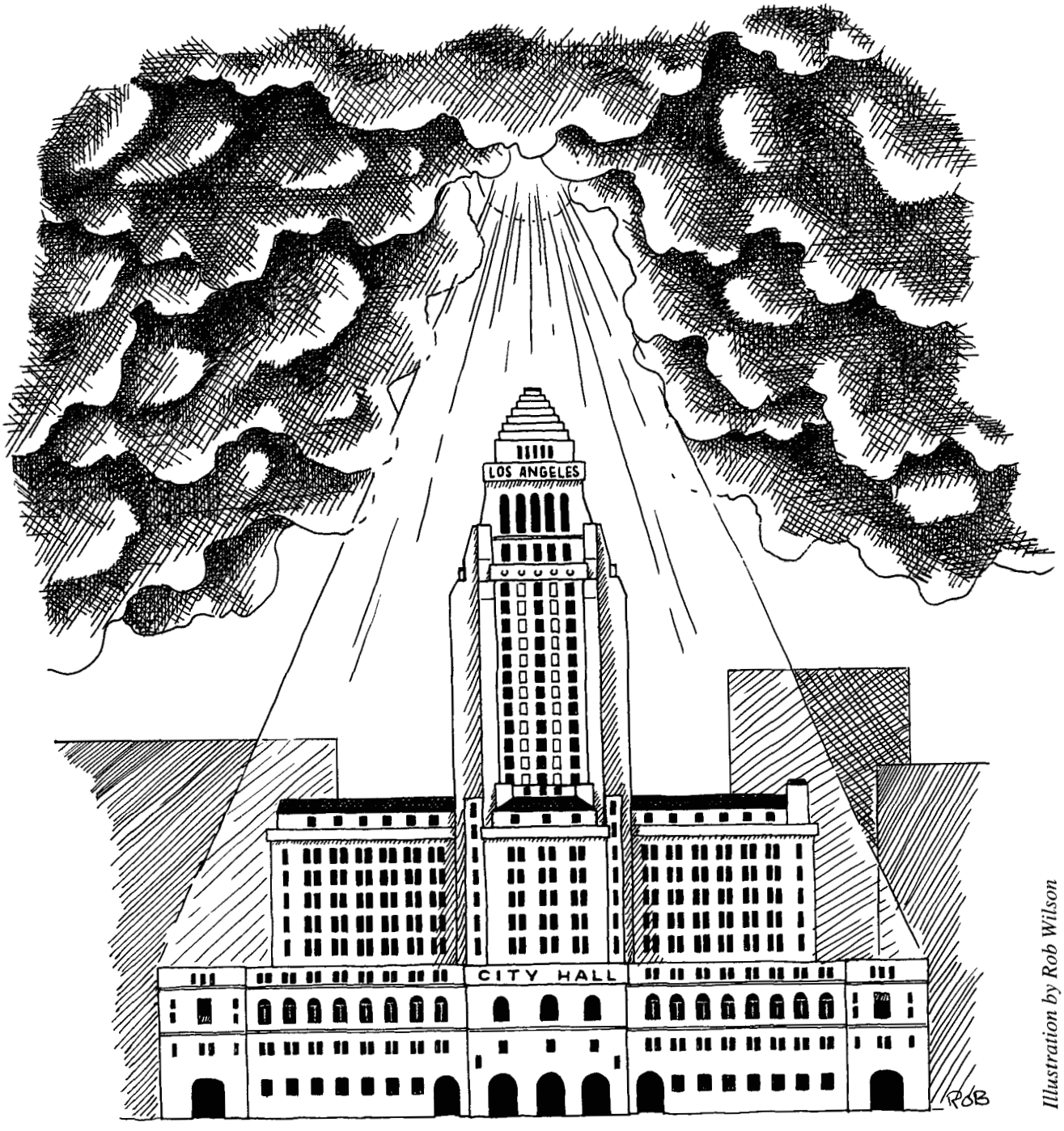

Illustration by Rob Wilson

Los Angeles' tough new ethics law

By James R. Sutton

Does new Los Angeles Mayor Dick Riordan, a successful financier accustomed to the finest restaurants and the best seats in the house, know that he will potentially break the law by accepting dinners or theater tickets from local businesspersons? Do new Los Angeles City Council members Jackie Goldberg, Richard Alarcon, Laura Chick and Rudy Svorinich know that they will potentially break the law by earning income other than their city salaries? And are these people aware that a city agency will be monitoring their ethical conduct?

They need to learn quickly. Although cities throughout the state regulate ethics, campaign contributions and lobbyists, Los Angeles has put its money where its mouth is, backing up a wide range of city laws relating to government

James R. Sutton is an attorney withNielsen, Merksamer in Marin County

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$1.3 million, the 23-member staff of the Los Angeles City Ethics Commission is responsible both for helping city officials and private citizens comply with the city's ethics, lobbying and campaign laws, and for prosecuting those individuals who fail to comply.

Los Angeles is in fact one of the few cities in the nation to adopt a comprehensive set of rules regulating the ethical conduct of its officials. The ethics ordinance, enacted by voters in November 1990, was drafted in response to a state and federal investigation into an alleged conflict of interest involving former Mayor Tom Bradley and a local bank. A blue ribbon panel appointed by Bradley recommended to the City Council that it establish a single agency responsible for overseeing ethics, lobbying and campaign laws; the City Council in turn submitted the panel's proposal to the voters.

According to some cynics, the City Council never wanted the ethics ordinance to become law. When it placed the issue on the November 1990 ballot, it slipped in two related proposals that — say cynics — were intended to sabotage passage of the ethics ordinance. One proposal increased the salaries of the mayor and City Council, and the other offered public funds to candidates for city office. Even if citizens favored the idea of cleaning up City Hall, they would never vote to increase the salaries of the elected officials they believed to be corrupt, and would never vote to give their tax dollars to people running for office.

Whether the council intended to sabotage the ethics ordinance or not, Measure H passed. And with it came a new era in how city business is conducted in Los Angeles. Mayor Riordan and the newly constituted council will have to contend with a wide range of rules restricting the gifts they may accept from constituents, the income they may earn besides their government salary, and their ability to lobby City Hall after leaving public service.

The first set of these rules governs officials' receipt of "gifts" from individuals and businesses which have dealings with the city. The ethics ordinance both limits the amount of gifts that officials may accept and requires them to publicly report the gifts they receive in annual financial disclosure forms filed with the Ethics Commission. Typical gifts include meals and beverages, tickets to entertainment and sporting events, T-shirts and baseball caps emblazoned with corporate logos. Reports filed on 1992 gifts reveal, for instance, tickets Bradley received to the Playboy Jazz Festival and American Music Awards; business-group dinners attended by Councilwoman Joy Picus; and hundreds of dollars in artwork and trips to San Francisco and New York to participate in museum conferences by Councilman Joel Wachs.

These gifts are an integral part of many companies' governmental-affairs strategy. Viewed in their best light, meals and awards ceremonies are simply forums for facilitating communication between officials and their constituents. One prominent City Hall lobbyist describes gifts as "simply a way of developing relationships with the people you have

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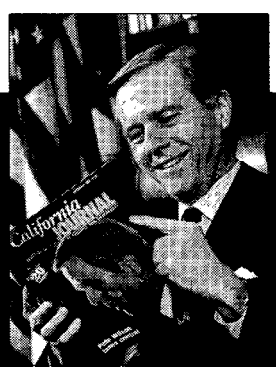
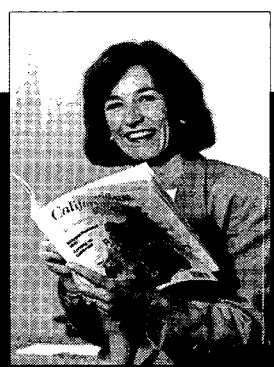

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to work with," and advises his clients that "it's foolish to think you can curry the council's favor through tickets to a Dodger game."

Critics, of course, put a different spin on gifts, claiming that they taint an official's ability to render unbiased decisions. Common Cause and other political watchdog groups have repeatedly called for the complete abolition of gifts in the government arena. Cecilia Gallardo, field director of California Common Cause in Los Angeles, states the organization's belief that "in this day and age, elected officials have no right using their public office to receive perks;" the organization actively supports the adoption of gift limitations in cities throughout the state.

The original version of the ethics ordinance prohibited Los Angeles officials from accepting *any* gifts. Accustomed to free box seats at the Hollywood Bowl and tickets to the Academy Awards, this provision caught many council members by surprise. It also convinced many of them that the ethics ordinance went too far.

The Ethics Commission thus spent the better part of its first year in existence advising council members whether to accept this meal or that ticket. The commission attempted to draw a line between gifts that simply helped officials do their jobs (a sandwich provided during a working lunch) and gifts intended to improperly influence their vote (an expensive dinner at Engine Company No. 28). Soon, the press began writing about the "coffee and donut exception" to the ban on gifts. Coffee and donuts proved an unworkable legal standard, however. Is parking validation an illegal gift? What about note pads and pens? Frustrated with calling the commission whenever a company offered to pick up a check or give them Lakers' tickets, the City Council's Rules and Elections Committee enacted a $100 *de minimis* exception to the gift limit in October 1992, along with other related amendments. These amendments now represent the rules regulating how officials may accept gifts. Chris O'Donnell, the city legislative analyst in charge of drafting the amendments, believes that they "allow the council to do its business without fear of breaking the law."

The rules distinguish between gifts to "high level" and other officials. High-level officials — including the mayor, City Council, city attorney, controller, members of the Ethics Commission, Planning Commission and Board of Public Works, and these officials' top aides — may only accept gifts valued at $100 or less per calendar year from an individual or company doing or seeking to do business with the city. They may only accept gifts valued at $25 or less per calendar year from registered lobbyists, lobbying firms or lobbyist employers. For city employees who do not qualify as high-level officials, the $100 and $25 gift limits only apply to individuals, companies and lobbyists doing or seeking to do business with the city agency or department where the employee works. All gifts valued at $50 or more from a single source must be disclosed on the financial disclosure forms that city officials file annually.

No city officer or employee — whether high level or other — may accept payments for travel expenses from anyone doing or seeking to do business with the city. In addition, city officials are prohibited from accepting "honoraria;" this

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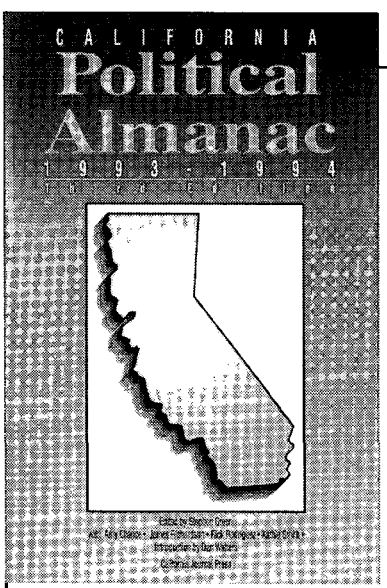

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prohibition keeps officials from receiving fees for speaking before industry groups or appearing on television talk shows, a practice that previously netted them significant extra income every year.

Notwithstanding the foregoing limits, city officers and employees are free to accept certain perks under certain circumstances. "Informational materials," such as books, calendars and seminars, do not count as gifts under the ethics ordinance as long as they are worth $250 or less; neither do personalized plaques or trophies worth $250 or less. Anyone may provide occasional food or lodging in their own home to city officials, even if they are pursuing a city contract and even if the food or lodging costs more

Tom Bradley

than $100. In addition, officials may accept food and beverages (but not fees) at events where they make a speech or participate in a panel. And — following Councilman Zev Yaroslavsky's concern that friends who have dealings with the city would be unable to give presents to his children at their bar mitzvahs — officials may now accept gifts of $100 or less in connection with "nonrecurring ceremonial occasions" such as weddings, movie premieres and art openings.

Perhaps the most innovative feature of the ethics ordinance is its prohibition on officials accepting "outside earned income." In exchange for Measure H's pay raise, city officials have to forgo the ability to earn any income other than their city salary. Although city employees may moonlight under special circumstances and with prior approval of the head of their agency or department, the mayor, City Council members and other elected officers may not earn any outside income, even if not done on city time. This provision keeps elected officials from earning "consulting fees" for selling their legislative or political expertise, from receiving stipends for sitting on the boards of local businesses, and from all other private enterprises that may give the appearance that they will conduct their governmental decision-making in anything but an unbiased manner. (The law will allow Mayor Riordan to pursue his private investments because income received from investment portfolios is not considered to be "earned" under the ethics ordinance.)

The final restriction placed on officials affects their ability to work as lobbyists after they leave public service. Known as the "revolving door" provisions, the ordinance's restrictions on the lobbying activities of former officials are stricter than state law (though not as strict as President Clinton's five-year ban on lobbying for certain federal appointees). High-level officials may not represent clients before *any* agency or department of the city for one year after leaving city service; other officials may not represent clients before their former agency or department for one year. All city officers and employees, for two years after leaving the city, must disclose in writing that they used to work for the city before appearing at a city hearing or communicating with a city official on behalf of a client.

Although the Ethics Commission was criticized early on for its inability to hire an executive director, for its mishandling of an investigation into corruption in the city attorney's office, and for its focus on insignificant issues such as coffee and donuts, City Hall appears to be taking notice of the new ethical requirements. As Bob Stern, co-director of the California Commission on Campaign Finance and consultant to the Ethics Commission, put it, "What a difference a commission makes."

In fact, the Ethics Commission may be affecting the way city business is conducted in Los Angeles beyond the confines of the ordinance. High-profile investigations by the Ethics Commission into alleged laundering of campaign contributions by prominent lobbyists Bill Burke and Art Snyder have finally made people aware of the Ethics Commission's enforcement powers. One lobbyist has noticed that many city employees are now refusing all gifts, even those allowed by the ordinance, in order to avoid even the possibility of criticism. Joan Wilson, government-affairs manager for Southland Corporation, indicates that she no longer takes officials to lunch, "mostly because my schedule won't allow it, but also so that I won't have to worry about reporting it on my quarterly lobbyist reports."

Other cities in the state have begun noticing the success of Los Angeles' new focus on ethics. The *San Francisco Examiner* recently ran an editorial in response to a string of scandals in that city's government describing the Los Angeles City Ethics Commission as "a model that San Francisco should now consider." Supervisor Kevin Shelly has responded by placing a proposal for a San Francisco Ethics Commission on the November ballot. And San Jose and San Diego have both formed blue ribbon panels, similar to the one that originated the idea of the Ethics Commission in Los Angeles, to study how to regulate the ethical conduct of those cities' elected officers and employees.

These cities will have the advantage of learning from the Ehics Commission's successes *and* failures, and from studying which provisions of the ethics ordinance have been most effective in changing the behavior of Los Angeles officials, lobbyists and persons seeking city contracts or approvals. They may consider sending representatives to sit in on one of the training sessions that the Ethics Commission is offering to the newly elected City Council members and mayor this summer, to watch these officers familiarize themselves with the ordinance's limitations on gifts, prohibition on earning outside income, and revolving door restrictions. And soon other California city officials may pass laws altering the way business is conducted in their towns, just as the ethics ordinance has forever changed the political environment in Los Angeles.

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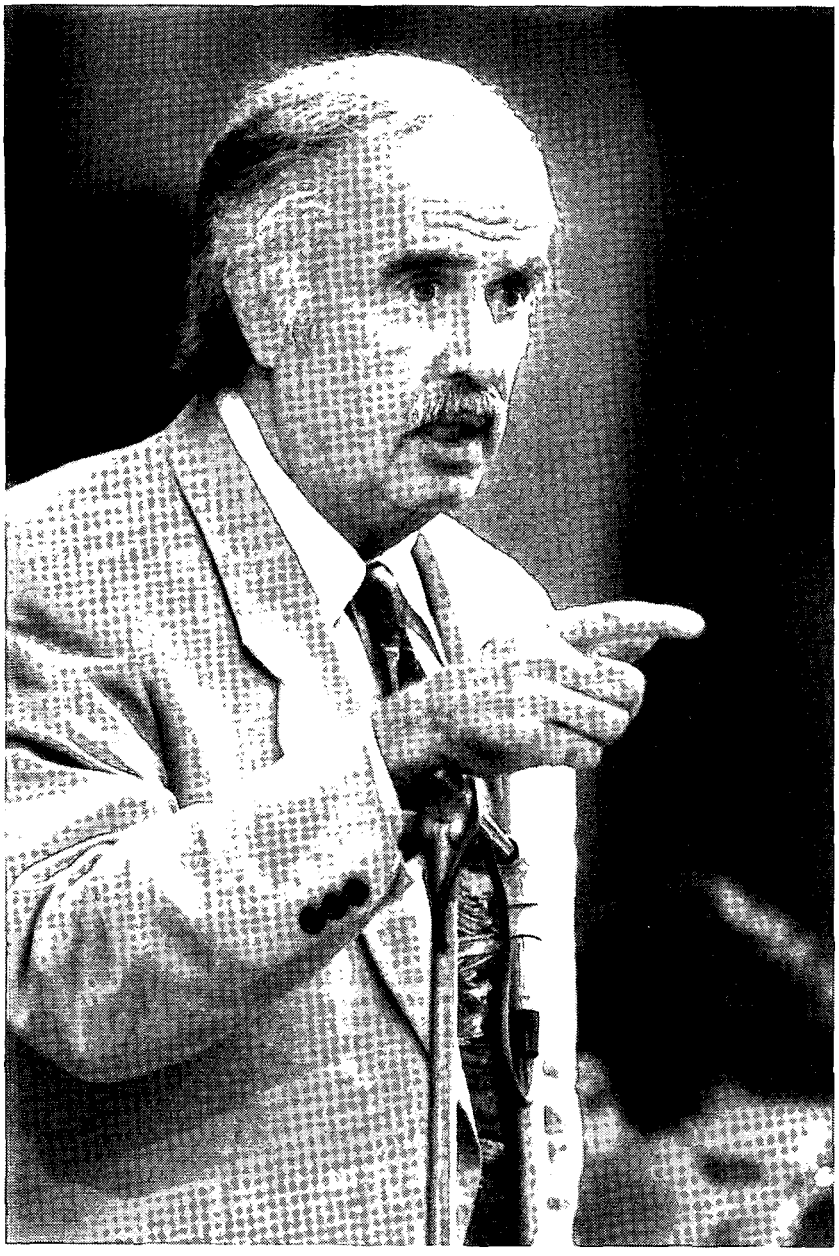

Photo by Rich Pedroncelli

The revival of John Burton

Last of a political dynasty, this San Francisco Democrat is part curmudgeon, part helpmate

By Laura A. Locke

Throughout his 30-year career in public service, Democratic Assemblyman John Burton of San Francisco has always been out there — out there with his volatile personality, his liberalism, his advocacy of human and civil rights. But most of all, Burton has been out there a survivor. During the 1980s, after stints in the Assembly and in Congress, he virtually buried one political career, then created another one, Phoenix-like, from the debris of cocaine and alcohol dependency. Now, as chairman of Assembly Rules, he is regarded as a powerful elder statesman, but hardly a mellow one. At 60, he is among the most colorful, raucous and tempestuous characters to play upon California's political stage and the last of a political family that once dominated state Democratic politics.

Early in his career, John Burton, the politician, existed in the shadow of his legendary elder brother, Philip — a congressional powerhouse during the 1970s and early '80s. Phil Burton was his sibling's inspiration and his political guardian. It was, after all, a gerrymandered congressional district drawn by Phil for John during the 1980 reapportionment that enraged Republicans and resulted in Burton's entire plan being scuttled in a 1982 referendum. The GOP took umbrage over a district that boated across San Francisco Bay and meandered all over Marin and Sonoma counties in search of Democrats.

But John Burton clearly has trod his own political road. A lawyer by trade, he joined with another young lawmaker way back in 1969 to first champion gay rights by introducing legislation to decriminalize private sexual acts between con-

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senting adults. Not only introduced it but reintroduced it for six years before finally eking it out of the Legislature. And even then it passed only because then-Lieutenant Governor Merv Dymally flew in from Colorado especially to cast a tie-breaking vote in the Senate. After all that effort, former Governor Jerry Brown let the bill become law without his signature. It must be remembered today, when gays wield political clout, the courageous nature of Burton's actions 25 years ago — a fact recently recalled by the *other* legislator involved, Assembly Speaker Willie Brown Jr.

"People didn't know anything about gays and lesbians being a potential political force," Brown insists today. "There's no question that we pre-dated the gay community in terms of activism. They were all still in the closet!"

Burton's commitment to gays and lesbians has continued through the years. As a congressman, he was the first to hire an openly gay staff member — Michael Housh — specifically assigned to work on gay issues. He also helped nurture, through a Democratic club, gay involvement in San Francisco politics.

These days, Burton has evolved into an odd blend of curmudgeon and helpmate. "I'm moody, I'm mercurial, I'm given to outrage when something outrageous happens," he explains. "Sometimes, people don't necessarily enjoy it, but on the other hand, I tend to accomplish an awful lot of what I try to do."

As quick with a sports analogy as with a profanity, Burton refers to himself not as the celebrity who slam dunks and wins applause but as the team player who makes the necessary passes, assists and rebounds. Burton gets a charge out of behind-the-scenes maneuvering. "The fun is not having your name on something. The fun is being an integral part of the deal that leads to success," he said of the labyrinthian legislative process.

In another sports analogy, Burton — a divorced father of one — also is the Assembly's supreme talker of trash.

"His volume, which is sometimes excessive, his rudeness, which is sometimes almost intolerable, his brashness, his abrasiveness ... is absolutely without malice," says Brown, a close personal and political friend since their undergraduate days at San Francisco State in the 1950s. "That is just Burton. He's one of the most generous, sensitive, caring, reliable persons that I know, and he's also one of the funniest and ... street smart like you would not believe," Brown said on behalf the colleague he has probably "done a little of everything" with.

His volume, which is sometimes excessive, his rudeness, which is sometimes almost intolerable, his brashness, his abrasiveness. . . is absolutely without malice.

Willie Brown

Brown cited Burton's chairmanship of the Public Safety Committee in 1988 as the best example of Burton's ability to be a masterful team player. "That committee suffered fewer slings of criticisms and had better cooperation among its membership than it's ever had in my 29years of being up here. And it was all due to John Burton's constant willingness to go the last mile to try to line people up for support purposes," even when the bill contradicted his own personal views, Brown said in praise of his most trusted lieutenant.

Although Burton often is heard berating Republicans during floor debates, Assembly Majority Leader Tom Hannigan insists that Burton "has a charm" in that he reaches out to members of both parties. Hannigan sees Burton helping both Democrats and Republicans on bills he considers important, suggesting amendments and lobbying members. "He can't resist getting involved," says Hannigan, adding that Burton considers it a challenge to connect with polar opposites like conservative Republicans Ross Johnson of Fullerton and Gil Ferguson of Newport Beach.

But not every Republican enjoys Burton's largess. His frequent bouts with Monrovia's Richard Mountjoy, for instance, provide weekly fireworks and entertainment during Assembly floor sessions. Burton seems to go out of his way at times to humiliate Mountjoy, himself no wallflower when it comes to speaking his mind. Hannigan blames the fireworks on Burton's impatience with himself and with others. Brown simply reports that Burton enjoys

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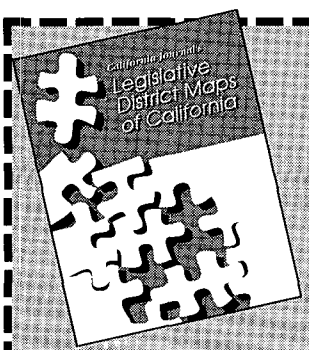

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"crossing swords" with someone regularly.

Burton has earned praise from GOP quarters. Rookie Assemblyman Bernie Richter of Chico has found him to be reasonable, straightfoward and trustworthy. He even credits Burton with pushing some of Richter's bills through Assembly Ways and Means. Burton "cracks the best jokes on the floor and he points to the inconsistencies and hypocrisy that we engage in," Richter says of Burton's often didactic humor.

First elected to the Assembly in 1964, Burton represented the east-southeast section of San Francisco until 1974, when he was elected to Congress. There he remained until 1982, when he abruptly quit, the reasons personal rather than professional. After publicly acknowledging his chemical dependency, Burton underwent extensive treatment, returning to the Assembly in a 1988 special election to replace Democrat Art Agnos, who had been elected mayor of San Francisco. By then, he was the lone Burton. Philip died of a heart attack in 1983 following a bruising re-election campaign against state Senator Milton Marks, who at the time was a Republican. Philip's wife, Sala, who replaced her late husband in Congress, died of cancer in 1987.

Catch Burton when he's in a reflective mood and he'll tell you the legislative accomplishment he's most proud of is contributing to the successful election of Northern California cohorts Barbara Boxer to the U.S. Senate and Nancy Pelosi to Congress. "I had a pretty fair deal in making that happen," Burton says modestly. Brown states flat-out that both Boxer and Pelosi owe their most recent elections to Burton. Pelosi is the recipient of the Burton legacy; she sits in Phil's and Sala's old seat, one that was in the Burton family for more than 20 years, Brown said. Boxer, a former chief of staff in Burton's congressional office, inherited his seat when he chose to leave office. That seat became Boxer's stepping stone to the U.S. Senate last November.

Boxer acknowledges Burton's help in getting her into the Senate. During her 1992 campaign, she said Burton would call almost every day with a new idea. For instance, Burton brainstormed the "1000 Points of Loot" campaign scheme to raise $1000 from an array of small donors statewide. Boxer boasted that this fund-raising tactic was her "strongest weapon in the primary."

Boxer, however, says their relationship goes deeper. Describing Burton as one of her "most loyal friends," she attributes the existence of her entire political life to her Bay Area colleague and confidante. "If it weren't for John Burton, I wouldn't be in politics," Boxer said.

Boxer first met Burton while working as a journalist for the *Pacific Sun* in 1972. She heard Burton deliver an impassioned speech and was so impressed that she approached him afterwards and said that she wanted to work for him. Boxer joined his 1973 campaign, then ran his district office in Marin. The ever-visceral Burton once gave Boxer a piece of advice that resonates with her to this day: "Always go with your gut," Burton told her, "Stick to your instincts because you have to live with yourself ... and even if people don't agree with you they at least respect you."

It's a philosophy that Burton lives by, and Boxer said she conjures up this line from her political mentor whenever she has to cast a tough vote.

Other legislative highlights from Burton's career include the only successful override of a Ronald Reagan gubernatorial veto that prevented Reagan from shutting down mental hospitals; passing — after another fight with Reagan — a bill that gave California the highest level of benefits to the aged, blind and disabled anywhere in the nation; and establishing the first renters' tax credit during the 1970s. An environmental advocate, Burton carried a measure that established the only marine sanctuary banning oil drilling off the San Francisco and Marin coasts in 1974 and helped establish the Point Reyes Wilderness Area.

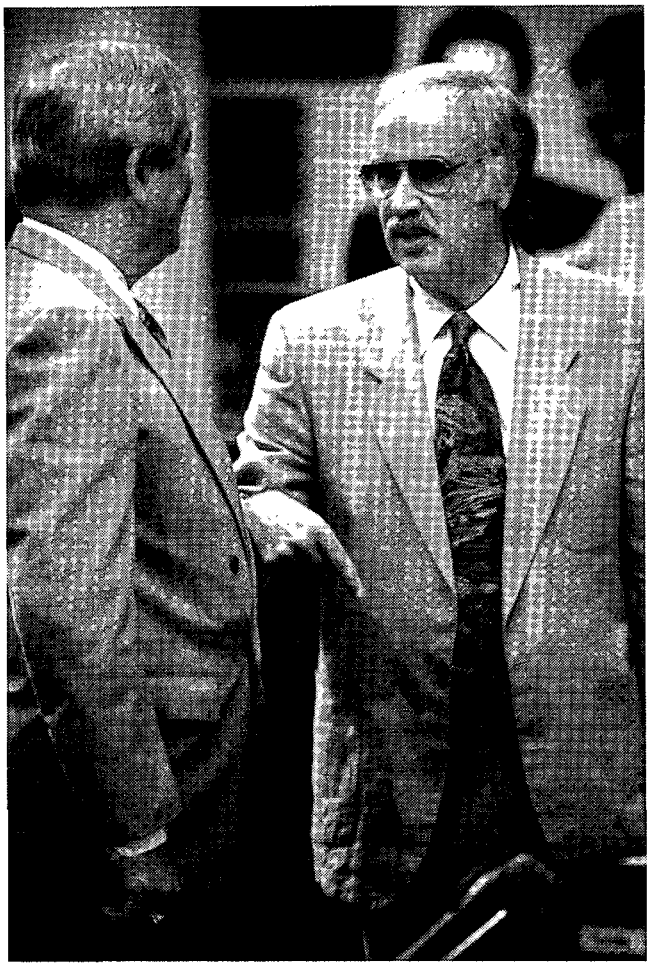

Photo by Rich Pedroncelli

In the early 1960s, Burton served as deputy state attorney general, as president of the California Democratic Council and as chairman of the California Democratic Party in 1973-1974. This past March, Burton was honored for his commitment to improving public access to government proceedings when he was awarded the James Madison Freedom of Information award by the Northern California chapter of the Society of Professional Journalists.

Although Burton's interest in elected office has waned now and then, his passion for politics has remained constant. "You don't lose your values or your social conscience," he says, admitting that it often is hard these days not to get depressed over California's desperate budgetary woes.

"I've been back here I don't know how many years now," Burton grouses, "and I mean ... every year, it's just cut, cut, cut; hurt, hurt, hurt; screw up screw up screw up the future of the state."

He is particularly hard on Governor Pete Wilson, who he often refers to as "the little fella downstairs." "He keeps talking about himself as a Marine," Burton says of Wilson. "He's the best punter since Ray Guy got drafted by the Raiders. You know he kicked the sales tax down to the [locals] ... [and] he hasn't provided one whit of leadership in a positive way."

And so it goes for John Burton, who best characterizes himself: "What you see is what you get. I mean what I say and I say what I mean."

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elections

Was Wilson veto aimed at Kathleen Brown?

Whenever Pete Wilson is asked how he likes being governor, he nearly always replies that he is having fun in his job. Of course, given the state's depressing fiscal and economic condition, fun may be in the eye of the beholder. Wilson may have provided a view from his eye in the list of line-item vetoes released when he signed the state budget. Whatever other tribulations being governor imposes, the job does give its occupant a chance to stick it to his rivals.

In what might be the first overt political salvo of the 1994 gubernatorial campaign, Wilson whittled away most of the funding for the Commission on State Finance, with an eye toward shutting it down by fall. The commission performs quarterly fiscal updates, tracking the state's economy and checking up on revenue estimates used by the Department of Finance in generating its budget numbers. More important, it is chaired by state Treasurer Kathleen Brown, who — by an amazing coincidence — also happens to be a likely candidate for governor next year.

Wilson justified the veto as consistent with efforts to limit government and eliminate commissions that duplicate the functions of other agencies. But many Democrats, and not a few Republicans, think it also had to do with politics.

"It's petty politics taken to an extreme," said Steve Glazer, spokesman for Senate President pro Tempore David Roberti.

"The Commission on State Finance is one of the very few functioning watchdogs left in state government," said former Assemblyman Tom McClintock, who now directs the Roseville-based Center for the California Taxpayer.

Wilson communications director Dan Schnur is shocked ... *shocked* ... at the suggestion of a political motive. "Ronald Reagan could have been the chair of the Commission on State Finance and we still would have eliminated it," insists Schnur, "because it represents unnecessary spending."

Brown's response was a carefully worded press release. While it fell short of openly accusing Wilson of playing politics, the statement contained a potshot or two of its own. "This is hardly an appropriate action for a state recently rated by *Financial World* magazine as the worst fiscally managed in the nation."

In the middle of all this spinning is the commission itself, which has been around since 1979. During the 1980s, its activities were mostly of interest to budget wonks and bond-rating agencies. But Kathleen Brown's arrival in 1990 marked the transformation of the commission from an internal think-tank to high-profile budget watchdog whose predictions on the economy and revenue projections have proved more accurate of late than those from the Wilson administration. Some observers feel this accuracy — rather than Brown's role in it — prompted the governor's veto.

Still, there's no denying that the commission's increased prominence has brought a lot of media attention to itself and its politically ambitious chair. And the spin offered from both the Brown and Wilson camps leaves little doubt that they view the issue as far more than a mere discussion about state resources.

— *Steve Scott*

education

Does state takeover loom for local districts?

Just as it seemed that education emerged as one of the relative winners in the state budget, Governor Pete Wilson reluctantly approved a third state bailout of a fiscally beleaguered school district. Wilson signed AB 657, authored by Assemblyman Willard Murray Jr. (D-Paramount), which authorized a $10.5 million emergency loan to the Compton Unified School District. The 29,000-student district joins Richmond and Coachella as "wards" of the state — districts that can't pay their bills and require loans to continue daily operations.

The bailout announcement coincided with a report from state Controller Gray Davis that listed 27 California school districts in financial trouble for the 1992-93 fiscal year. Five districts including Compton filed "negative certifications," which means they can't pay their debts. Six of the 27 districts are in Los Angeles County. According to Davis' report, the depth of trouble for schools is measured by the fact that 90 districts engaged in deficit spending for three consecutive years, compared to 30 districts in 1990-91. That doesn't mean that more and more districts will end up like Compton, said Pat Keegan, assistant superintendent for business services at the Department of Education. "Schools have the ability to reduce the deficit trend by making further reductions," he added.

All school districts have to re-adjust to the fiscal realities, Keegan said, and that may mean making hard choices, such as salary rollbacks for teachers or cutting benefits packages. Keegan said that if a school district needs a loan that is twice the size of its reserve level, the district automatically gets an administrator from the state and the local school board loses its power. The district only comes out from under the state control when the loan has been fully repaid, Keegan explained. Thus far, Richmond has repaid $1.2 million of a $28.5 million loan; Coachella, $600,000 on a $7.3 million loan.

State Senator Diane Watson is troubled by the fact that state-administered school districts lose local control. She would prefer to see the state Department of Education act as consultants to troubled districts, leaving ultimate decision-making powers to locally elected school boards. Now, the state's attitude is simply punitive, she said.

Dr. Stan Oswalt, a former superintendent of Roland Unified, is Compton's interim administrator while the department seeks a full-time administrator.

— *Laura A. Locke*

governor

Tom Hayes hangs 'em up

Even in the best of times, director of Finance is a crummy job. There is never enough money to satisfy every want, and Finance often is where fiscal reality must be elasticized to encompass the political vision of the chief executive. While no one ever questioned his qualifications, the job always seemed an uncomfortable fit for Tom Hayes, and after three years of dispensing bitter medicine, Hayes has decided to move on. Last month, Governor Pete Wilson announced that Hayes would step down to become managing director of Metropolitan West Securities, a Los Angeles-based brokerage firm. His

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replacement will be Russell Gould, a former chief deputy at Finance who served Wilson as secretary of Health and Welfare.

Hayes says the move is "the right thing to do at this time" and denies he's waving a white flag after being asked to close three straight multi-billion-dollar deficits. "It's not, in any way, [a resignation] out of frustration, and I'll be there to help with this administration on a volunteer basis any way I can," he said. Gould worked his way up the ladder in the Finance Department of former Governor George Deukmejian. He served as assistant treasurer during Hayes' brief tenure in that job, before being tapped by Wilson to head Health and Welfare.

"I can think of no individual more qualified to take over Tom's directorship ... than Russ Gould," said Wilson. Gould must still be confirmed by the Senate, which has a year to decide up or down. So far, no decision has been made on a replacement for Gould. As for Hayes, the move ends a 25-year career in public service and gives him a chance to indulge his passion for international high finance.

— Steve Scott

the third house

Teachers spend more than $2 million for lobbying — in one quarter

California may be in the grips of a deep recession, but the men and women who lobby government for a living seem to be doing very nicely, thank you. During the first quarter of 1993, lobbyist employers spent $26,482,812, according to figures released last month by the secretary of state's office. This is only 7 percent less than the $28.5 million spent during the first quarter of 1992.

But a more significant story emerges inside the numbers. The top spender for the first quarter of '93 was the California Teachers Association, whose total of $2,125,472 was more than four times that spent by the second-place California Medical Association. It also was more than four times the amount spent by the CMA in 1992, when it finished first for the January-March filing period. The total is nearly 10 times what the CTA itself spent for the corresponding period of 1992 and nearly matches what the group spent for lobbying in *all* of 1991 — the most recent non-election year.

CTA's expenditures inflated overall spending for educational interests during the first quarter of '93, putting education first among all categories. Government itself (local governments and other governmental organizations) was second, with $3.5 million. Health interests, manufacturing and industrial groups, and finance and insurance organizations each spent more than $3 million on lobbying efforts.

Other individual high spenders include the Western States Petroleum Association ($349,490), California Manufacturers Association ($331,537), California Association of Hospital and Health Systems ($326,961), Los Angeles County ($313,633) and the Association of California Insurance Companies ($313,244).

The prize for the lobbying firm that reported the most money during the first quarter goes to Carpenter, Snodgrass & Associates with $453,260. Second place goes to George Steffes, with $448,772. Other lobbying firms that billed more than $400,000 during the first quarter include Heim, Noack, Spahnn (formerly Jackson, Barish & Associates); Sacramento Advocates; and Advocation. Although Heim, *et al*, took in $440,635 to finish third, its receipts marked a 32 percent decline from the first quarter of 1992, when the firm finished first. Former partner Clay Jackson was indicted earlier this year on federal corruption charges, causing the firm to reorganize.

Meanwhile, CTA's numbers were staggering. According to the CTA, however, the money wasn't spent for what is traditionally thought of as lobbying — campaign contributions, gifts, overhead and salaries for the small platoon of lobbyists who operate out of CTA offices in Sacramento.

"It's not a lobbying expense," said Alice Huffman, CTA political director, adding that most of the money went to pay for a series of CTA-sponsored television commercials. The multi-million-dollar "Would You Believe?" commercials were created by a Florida advertising firm, Beber Silverstein, and ran for six weeks. Huffman said the ads were part of CTA's annual media-relations program designed "to improve the image of public education."

"I don't think it should be included in lobbying expenses," said CTA associate director Ned Hopkins. "But our lawyers are prudent and say that the ads could be interpreted as an attempt to influence public policy." That possibility, Hopkins indicated, meant that the organization felt obligated to report the cost of the ads to the secretary of state as "lobbying expenses." According to Hopkins, the television campaign cost $1,891,231. Thus, CTA spent but $234,241 on traditional lobbying expenses — a figure that slides the teachers' group out of the top 10 spenders for lobbying for the first quarter.

-Laura Locke and Mary Beth Barber

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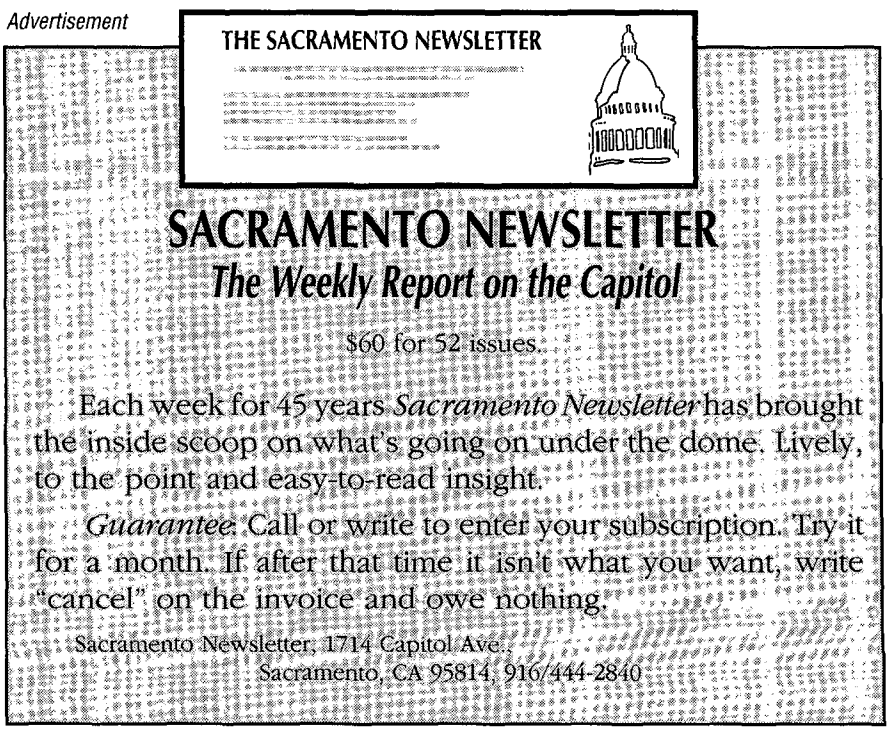
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By Larry Liebert

Barbara Boxer

"It's a different body," Barbara Boxer said of her ascension from the large, clamorous House to the clubbier Senate. "It's smaller. It's more personal. It's more deliberative by nature."

AFTER HALF A YEAR AS CALIFORNIA'S JUNIOR senator, the former congresswoman from trendy Marin County was speaking — more slowly, more quietly, more deliberately than I had recalled from many past encounters — as she pondered her changed surroundings in a bustling yet stately lounge just off the Senate chamber. There's no doubt that something significant has changed about Boxer, although she insists it's her legislative setting and not her personality.

"People would say, 'Boy, you're feisty,'" Boxer recalled, accurately describing her combative reputation during a decade elbowing for attention in the 435-member House. "When you've only got 30 seconds to say something. . . you've got to cut to the chase. People think I'm different; I'm exactly the same. It's just a different institution.

Boxer was elected to the Senate in the shadow of Dianne Feinstein, the better-known figure who racked up a far bigger margin defeating appointed Republican Senator John Seymour. Boxer's victory over Bruce Herschensohn was viewed as icing on the cake by many Democrats.

During the campaign, Boxer got national attention mostly as the junior partner in a political sister act with Feinstein, who vowed they'd be "Thelma and Louise" when it came to fighting for California. Once they arrived in the Senate, word was that Boxer was intentionally yielding much of the spotlight to Feinstein to repay the more popular candidate's campaign assistance and to help Feinstein prepare for a fast-approaching re-election effort in 1994.

A Field Poll, taken in May, found that Feinstein remained the more popular figure in California, with 27 percent of those surveyed rating her job performance favorably and only 15 percent calling it poor or very poor. By contrast, the 22 percent who gave Boxer a good or excellent rating were matched by 21 percent who called her performance poor or very poor.

The two senators still seem to be getting along, but their relationship doesn't fully explain Boxer's subdued performance in the Senate. In her first months in her new job, the anything-but-shy Boxer seldom gave press interviews or rousing floor speeches. There was certainly no repetition of her march on the Senate last year, when she and other female House members stormed across from the other side of the Capitol to protest the Senate's handling of Anita Hill sexual-harassment allegations against Supreme Court nominee Clarence Thomas.

Instead, Boxer has been quietly and systematically making friends and influencing people among her 99 peers.

The senator has concentrated her California political and legislative agenda on economic recovery generally and on conversion of defense industries to civilian markets in particular. With heavy shocks from declining defense contracts and closing military bases, Boxer said, California "has to absorb these hits, but we will have some help" from Washington. "I believe in the end, after the period of adjustment, we will come out strong because civil technologies will employ more people. But we're in a transition time."

Boxer has introduced a relatively modest legislative agenda of her own, including a bill to provide defense workers and industries "one-stop shopping" for information on available federal assistance and another directing federal weapons labs to start shifting at least 20 percent of their budgets to civilian research and development. On other subjects, she has introduced bills to permanently ban new offshore oil drilling and ocean dumping, prohibit employers from dumping workers from their health insurance once they become seriously ill and to make "stalking" a federal crime.

Even if Boxer has adjusted her style to her new setting, she denies her politics have moderated in the process. "If you look at my voting record, it's about comparable to what it was in the House." she said. Boxer insists she was never the knee-jerk liberal her critics like to portray. But she has also been strikingly eager to support President Clinton, even when many of her usual allies are prodding him to move more to the left of center.

We spoke between votes on Clinton's budget reconciliation plan, which squeaked through the Senate by only one vote. A group of liberal Democrats had refused to support the measure until Clinton promised to ease some proposed cuts in Medicare. Some of them expressed the hope that the final version of the bill, which remained to be hammered out in a conference committee, would end up resembling the more liberal House version rather than their own chamber's. Not Boxer, who loyally insisted that "the Senate plan is a reasonable plan."

Similarly, Boxer was strikingly accepting of Clinton's willingness to settle for less than his campaign pledge to eliminate the military's ban on homosexuals. "It's one of the last frontiers of civil rights, and I think he's showed remarkable courage," she said. "

AGAIN, BOXER MAINTAINS THAT IT'S THE circumstances that have changed: Her party is finally in power at 1600 Pennsylvania Avenue. "People miss this point," Boxer said, "I've never served with a Democrat in the White House. Now, you don't have to call attention to 'how bad the White House is.' You get the sense finally that Democrats realize that we have to govern."

Boxer is almost a member of the First Family — literally. Her daughter is engaged to Hillary Clinton's brother. "I've said this isn't about clout. It's about love," she said. "It's a kick. The First Lady and I have a lot of fun with it."

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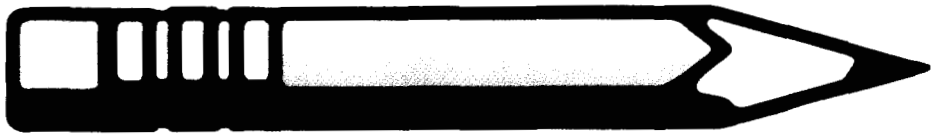

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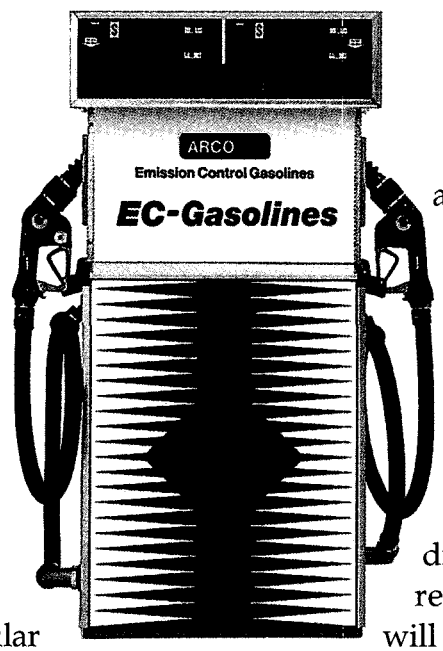

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